# COLFAX CITY COUNCIL MEETING REGULAR SESSION AGENDA

City Council Chambers
33 S. Main Street, Colfax, CA.
February 22, 2012
6:00 PM (Closed Session)
7:00 PM (Regular Session)

Last Ordinance #515

Last Resolution 02-2012

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the building & safety director, (530) 346-2313. Notification 72 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibilities to this meeting.

#### 1. OPENING

- A. Call to Order
- B. Roll Call

# 2. PUBLIC COMMENT

# 3. CLOSED SESSION

Conference with Legal Counsel—Existing Litigation (Subdivision (a) of Government Code Section 54956.9) Name of case: Edwards et.al. v. City of Colfax, Federal District Ct, Eastern Dist. Of California # 07-CV-02153-GEB-EFB

Conference with Legal Counsel – Existing Litigation (Subdivision (a) of Government Code Section 54956.9). Name of case: City of Colfax vs Stationary Engineers Local 39 Health and Welfare Trust Fund, United States District Court, Northern District of California Case No. C12-00281-MMC and Alameda County Superior Court Case No. RG12614472."

Conference with Labor Negotiators pursuant to Government Code Section 54957.6. City's Designated Representatives: City Manager Bruce Kranz and City Attorney Alfred Cabral. Employee Organization: All represented and unrepresented employees

### 4. OPENING

- A. Pledge Of Allegiance
- B. Announcement of Action Taken at Closed Session
- C. Approval of Agenda Order

This is the time for changes to the agenda to be considered including removal, postponement or change to agenda sequence.

**Recommended Action:** By motion accept the agenda as presented or amended.

Members of the public who addresses the Council shall do so in an orderly manner. No person shall yell or make profane or threatening remarks to any member of the Council, staff or general public. No person shall engage in disorderly or boisterous conduct, including the utterance of loud, threatening or abusive language, whistling, stamping of feet, clapping, or other acts that unreasonably disturb, disrupt, delay or otherwise impede the orderly conduct of any Council meeting. Except as allowed by rules of order, a councilmember or staff person shall not by conversation or other means delay the Council proceedings or disturb any other councilmember or staff person while speaking.

### 5. CITY COUNCIL COMMITTEE REPORTS

The purpose of these reports is to provide information to the City Council and public on projects and programs that are discussed at committee meetings. No decisions are to be made on these issues. If a Council member would like formal action on any of these discussed items, it will be placed on a future Council Agenda

# 6. INFORMATION REPORTS FROM STAFF AND OTHERS

# 7. CONSENT AGENDA

All matters listed under the Consent Agenda are considered to be routine in nature and will be approved by one blanket motion with a roll call vote. There will be no separate discussion of these items unless persons request specific items to be removed from the Consent Agenda for discussion and separate action. Any items removed will be considered after the motion to approve the Consent Agenda. If you wish to have an item pulled from the Consent Agenda for discussion, please notify the City Clerk.

RECOMMENDED ACTION

A. Minutes: February 8, 2012

Receive and File

B. Cash Balance Summary: January 31, 2012

Receive and File

C. Receipt of City of Colfax Audit Reports as of June 30, 2011:

Receive and File

- Audited Financial Statements
- Compliance Reports
- Management Letter
- Appropriation Limits
- SAS 114 Letter

# CONSENT ITEMS PULLED FOR DISCUSSION

# 8. PUBLIC COMMENT

At this time, members of the audience are permitted to address the City Council on matters of concern to the public not listed on this agenda. Please make your comments as brief as possible, comments should not exceed three (3) minutes in length. The Council cannot act on items not included on this agenda; however, if action is required it will be referred to staff.

# 9. PUBLIC HEARING

	Notice to Public
City Coinc	ik when considering a matter scheduled to the learing, will take the following actions:
1.	Open the Public Hearing
2.	Presentation by Staff
3.	Presentation, when applicable, by Applicant or Appellant
4.	Accept Public Testimony
5.	When applicable, Applicant or Appellant rebuttal period
	Close public hearing (No public comment is taken hearing is closed)
	Council comments and questions

8. City Council action

Public hearings that are continued will be so noted. The continued public hearing will be listed on a subsequent council agenda and posting of that agenda will serve as notice

- A. Public Hearing and Consideration of Adoption of Resolution No. 03 -2012: A Resolution of the Planning Commission of the City of Colfax Approving An Application (#DRJSPR-02-11) for Design Review and Site Plan Review for the Mc Donalds remodel project. Recommended Action: Conduct Public Hearing, Consider Public and Staff Comments and Adopt Resolution No. 03-2012
- B. Introduction and First Reading of Ordinance No. 516: An Ordinance of the City of Colfax adding Chapter 17.112.175 to Title 17 of the Colfax Municipal Code allowing Digital Billboard Signs on City Owned land.

**Recommended Action:** Introduce the proposed Ordinance by title only, conduct a public hearing and thereafter by motion waive the first reading and continue for second reading and adoption at the March 14, 2012 regularly scheduled council meeting to be effective 30 days thereafter.

- C. Annual Public Hearing Notice for the Community Development Block Grant program **Recommended Action:** No action required
  - 10. COUNCIL BUSINESS
  - **A.** Discuss and Provide direction as to Acquiring the Court House from the County **Recommended Action:** Discuss and Provide Direction
    - 11. PRESENTATIONS
    - 12. ADJOURNMENT

Administrative Remedies must be exhausted prior to action being initiated in a court of law. If you challenge City Council action in court, you may be limited to raising only those issues you or someone else raised at a public hearing described in this notice/agenda, or in written correspondence delivered to the City Clerk of the City of Colfax at, or prior to said public hearing.

AGENDA POSTED, February 17, 2012 at City Hall and Post Office locations

Karen Pierce, City Clerk

Koven Plane

Minutes City Council Meeting February 8, 2012

### 1. OPENING

Mayor Harvey called the meeting to order at 6:00pm.

Present and answering roll call were Council members Roberts, Delfino, Barkle, Alpine and Mayor Harvey.

### 2. PUBLIC COMMENT

There was no public comment

### 3. CLOSED SESSION

Mayor Harvey called the closed session to order at 6:03pm

Conference with Legal Counsel—Anticipated Litigation Significant exposure to litigation pursuant to subdivision (b) of Section 54956.9 Number of potential cases: 1

Conference with Legal Counsel—Existing Litigation (Subdivision (a) of Section 54956.9) Name of case: Edwards et.al. v. City of Colfax, Federal District Ct, Eastern Dist. Of California # 07-CV-02153-GEB-EFB

Conference with Legal Counsel -- Existing Litigation pursuant to Government Code Section 56954.9(a) Name of Case: Woodford vs Colfax, Placer County Superior Court #SCV26658

Public Employee Performance Evaluation pursuant to Government Code Section 54957.

City Manager.

Conference with Labor Negotiators pursuant to Government Code Section 54957.6.City's Designated Representatives: City Manager Bruce Kranz and City Attorney Alfred Cabral. Employee Organization: All represented and unrepresented employees

Public Employee Appointment pursuant to Government Code Section 54957. Wastewater Operator 1.

Mayor Harvey closed the closed session at 7:05pm.

### 4. OPENING AND AGENDA APPROVAL

Mayor Harvey called the regular meeting to order at 7:08pm.

Gabe Armstrong led the Pledge of Allegiance

Mayor Harvey stated that there was no reportable action taken in Closed Session.

A motion was made by Mayor Harvey and seconded by councilman Delfino to move the Presentations to the end of the agenda with the appointment to SACOG to follow presentations. The motion was passed by the following vote:

AYES:

Roberts, Delfino, Barkle, Alpine and Mayor Harvey

NOES: ABSENT: ABSTAIN:

### 5. CITY COUNCIL COMMITTEE REPORTS

Councilman Delfino reported on the SEDCorp meeting and the Placer County Elected Officials dinner.

Councilman Alpine reported on the LAFCO meeting Mayor Harvey reported on the PCTPA meeting.

# 6. <u>INFORMATION REPORTS FROM STAFF AND OTHERS</u>

City Manager, Bruce Kranz reported on the following:

• Update on tour of Placer County Courthouse. Placer County would like to donate the building to the City for public use.

Sgt. Ty Conners introduced the two new Colfax Deputies: Jack Hickey and Shawn DeSilva. Deputy Don Bohn attended as well.

## 7. CONSENT AGENDA

ACTION TAKEN
Received and Filed

A. Minutes: December 14, 2011

January 11, 2012

- B. Project Acceptance: Dinky Avenue RR Xing Closure, Accepted Closure Project No. 10-02, Fed-Aid STPLR 7500(118)
- C. Adoption of Resolution No. 02-2012: A Resolution Adopted Resolution No. Recognizing January 11, 2012 as Human Trafficking 02-2012

  Awareness Day

A motion was made by councilwoman Harvey and seconded by councilman Delfino to approve the consent agenda as presented. The motion was passed by the following vote:

AYES:

Roberts, Delfino, Barkle, and Mayor Harvey

NOES: ABSENT:

ABSTAIN: Alpine

### 10. COUNCIL BUSINESS

# A. Removal of Hazardous Waste from 250 Rising Sun Road (City Corporation yard)

Community Services Director, Gabe Armstrong went over the staff report. Council discussed.

Speaking from the public was:

Tony Hesch, resident

A motion was made by councilwoman Roberts and seconded by councilman Delfino to approve expenditure of \$6,491.50 to remove hazardous waste from the Corporation Yard and Building. The motion passed by the following vote:

**AYES:** 

Roberts, Delfino, Barkle, Alpine and Mayor Harvey

NOES: ABSENT:

ABSTAIN:

## 11. PRESENTATION

Wave Broadband representatives, Tom Carroll and Kirk Ellingson gave a presentation on the new network and cable updates coming to Colfax.

Speaking from the public were:

Tony Hesch, resident

Melba Delfino, resident

Dwayne Armstrong, county resident

Pat Hatterson, Rocklin resident

SACOG representative, Matt Carpenter gave a presentation on the draft Metropolitan Transportation Plan/Sustainable Communities Strategy.

Speaking from the public were:

Neil Wilson, Lincoln resident

Ed Duffeck, Colfax resident

John Larimer

Judi Caler

Bob Rafighi, Colfax resident

Raeanne Vowell, Loomis resident

Dwayne Armstrong, county resident

Gabriel Hydrick, Lincoln councilman

Pat Patterson, Rocklin resident

Jim Palmer, Colfax resident

# 12. PUBLIC COMMENT

There was no public comment

# 13. COUNCIL BUSINESS

# B. Consideration of appointment of Council member to fill council member Robert's board seat on SACOG.

Council discussed options. Councilman Alpine will continue to fill the board seat on SACOG as the alternate for the time being. This item will be brought before council for further discussion at a future council meeting.

# 14. ADJOURNMENT

Being no further business to come before council by voice vote the meeting was adjourned at 9:43pm.

## City of Colfax Cash Summary January 31, 2012

	Bala	ance 12/31/11	Debits	Credits	Transfers	Bala	ance 01/31/12
Bank of America - Checking	\$	119,339.80	\$ 28,500.00	\$ (3,911.57)	\$ (140,000.00)	\$	3,928.23
Bank of America - Savings	\$	33,257.73	\$ 3.10			\$	33,260.83
US Bank	\$	293,244.02	\$ 608,687.51	\$ (534,727.76)	\$ (400,000.00)	\$	(32,796.23)
LAIF	\$	359,732.13	\$ 351.44	\$ -	\$ 540,000.00	\$	900,083.57
Collateral Deposit (BofA)	\$	40,000.00				\$	40,000.00
Total Cash - General Ledger	\$	845,573.68	\$ 637,542.05	\$ (538,639.33)	\$ _	\$	944,476.40
Petty Cash (In Safe)	\$	300.00				\$	300.00
Total Cash	\$	845,873.68	\$ 637,542.05	\$ (538,639.33)	\$ -	\$	944,776.40

Change in Cash Account Balance - Total

98,902.72

#### Attached Reports:

1. Cash Transactions Report (By Individual Fund)

2. Check Register Report (Accounts Payable)

3. Cash Receipts - Daily Cash Summary Report

Payroll Checks and Tax Deposits Utility Billings - Receipts

\$ (425,397.61)

453,161.34

(53,270.82)

124,409.81

\$

\$

98,902.72 \$

Prepared by: Yauru Van April 2/4/12
Laurie Van Groningen, Finance Consultant

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	Beginning Balance	Debit	Credit	Ending Balance
Fund: 100 - GENERAL FUND	-65,423.90	299,682.77	74,604.25	159,654.62
Fund: 120 - LAND DEVELOPMENT FEES	1,993.13	153.90	2,381.22	-234.19
Fund: 210 - MITIGATION FEE - TRAFFIC	78,976.21	40.39	0.00	79,016.60
Fund: 211 - MITIGATION FEE - DRAINAGE	2,919.80	1.50	0.00	2,921.30
Fund: 212 - MITIGATION FEE - TRAILS	45,410.81	23.23	0.00	45,434.04
Fund: 213 - MITIGATION FEE - PARK & REC	231,437.70	118.36	0.00	231,556.06
Fund: 215 - MITIGATION FEE - VEHICLES	145.36	0.08	0.00	145.44
Fund: 217 - MITIGATION FEE - D.T. PARKING	· 25,494.71	13.04	0.00	25,507.75
Fund: 218 - SUPPORT LAW ENFORCEMENT	-6,197.50	5.98	0.00	-6,191.52
Fund: 236 - CDBG - Economic Revitalization	-8,309.60	0.00	1,730.50	-10,040.10
Fund: 241 - HOUSING REHABILITATION	124,739.88	63.80	0,00	124,803.68
Fund: 244 - MICROENTERPRISE LENDING-CDBG	91,147.61	346.46	0.00	91,494.07
Fund: 250 - TRANSPORTATION	-50,649.16	2,228.25	16,032.63	-64,453.54
Fund: 252 - TRANSPORTATION IMPACT	61,236.34	31.32	0.00	61,267.66
Fund: 253 - GAS TAXES	60,983.10	4,289.76	1,724.60	63,548.26
Fund: 270 - BEVERAGE RECYCLING	18,850.28	9.64	0.00	18,859.92
Fund: 280 - Used Oil Grant UOG3-95-1432-31	-596.57	240.00	314.98	-671.55
Fund: 286 - BRICKS	5,198.90	2.66	0.00	5,201.56
Fund: 292 - FIRE CAPITAL FUND	26,995.05	13.81	0.00	27,008.86
Fund: 343 - RECREATION CONSTRUCTION	11,538.54	5.91	0.00	11,544.45
Fund: 344 - PROP 40 - POOL IMPROVEMENT	-123,317.27	0.00	937.50	-124,254.77
Fund: 347 - DINKEY WAY CLOSURE	-19,819.11	0.00	66,456.41	-86,275.52
Fund: 350 - STREETS IMPROVEMENT PROJECTS	199,467.31	102.01	2,216.25	197,353.07
Fund: 380 - CABOOSE RESTORATION	198.68	0.18	348.54	-149.68
Fund: 560 - SEWER	-435,720.43	125,535.83	78,323.84	-388,508.44
Fund: 561 - SCSWAD LIFT	211,465.44	25,220.68	19,218.48	217,467.64
Fund: 563 - WASTEWATER TREATMENT PLANT	-194,421.68	49,172.40	8,000.00	-153,249.28
Fund: 565 - GENERAL OBLIGATION BOND	20,214.54	4,157.45	0.00	24,371.99
Fund: 567-1&1	353,834.52	43,302.02	0.00	397,136.54
Fund: 568 - ARRA FUND - 1 & 1	-15,574.43	0.00	0.00	-15,574.43
Fund: 569 - Pond 3 Lining- I&I Repair	-59,780.62	0.00	202,858.83	-262,639.45
Fund: 570 - GARBAGE	-441,506.32	16,904.07	2,510.73	-427,112.98
Fund: 571 - 2% AB939	30,880.36	386.28	0.00	31,266.64
Fund: 572 - 27% LANDFILL	663,774.37	9,920.90	7,422.04	666,273.23
Fund: 998 - PAYROLL CLEARING FUND	287.63	55,569.37	53,558.53	2,298.47
	Grand Totals: 845,873.68	637,542.05	538,639.33	944,776.40

# Check Register Report

CITY OF COLFAX BANK: US BANK

Date: Time: 02/02/2012

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Check Number	Check Date	Status	Void/Stop Date	Vendor Number	Vendor Name	Check Description	Amount
US BANK	K Checks				,		
48075	01/12/2012			01414	ALHAMBRA & SIERRA SPRINGS	WATER WWTP	129.98
48076	01/12/2012	Printed		01448	AMERIGAS - COLFAX	PROPANE DEPOT	748.55
48077	01/12/2012	Printed		01460	AMERIPRIDE UNIFORM SERVICE	UNIFORMS	453.56
48078	01/12/2012	Printed		01500	ANDERSON'S SIERRA	POND 3 SEPAGE HOSE FITTINGS	104.02
48079	01/12/2012	Printed		01685	ASHLAND INC.	WWTP CHEMICALS	1,496.14
48080	01/12/2012	Printed		02084	BRIGIT BARNES	PLANNING DECEMBER	5,268.22
48081	01/12/2012	Printed		03121	CALIFORNIA BUILDING	PERMIT VALUATION 10-1/12/31/11	9.00
48082	01/12/2012	Printed		03650	CRANMER ENGINEERING, INC.	WWTP TESTING	580.00
48083	01/12/2012	Printed		04250	DEPARTMENT OF CONSERVATION	FEE REPORT 10/1-12/31/11	19.95
48084	01/12/2012	Printed		05001	E2 CONSULTING ENGINEERS, INC.	I & I MITIGATION DESIGN SRF	33,357.00
48085	01/12/2012	Printed		05184	BRET ELLIS	BOOT ALLOWANCE REIMBURSEMENT	102.23
48086	01/12/2012	Printed		05501	EXWIRE	INTERNET JANUARY	109.95
48087	01/12/2012	Printed		07460	GOLD COUNTRY MEDIA	PUBLIC NOTICE RFP SCADA	114.12
48088	01/12/2012	Printed		08050	HACH COMPANY	WWTP WATER SAMPLING	110,616.78
48089	01/12/2012	Printed		08170	HILLS FLAT LUMBER CO	SUPPLIES	980.12
48090	01/12/2012	Printed		08660	HUNT AND SONS, INC.	GASOLINE FIRE DEPARTMENT	837.64
48091	01/12/2012	Printed		10550	JOSEPH HALTON	BUSINESS CARDS STEVE HARVEY	39.51
48092	01/12/2012	Printed		12203	LEAGUE OF CA CITIES-SAC. VALLE	MEMBERSHIP DUES 2012	1,172.00
48093	01/12/2012	Printed		06011	PELLETREAU, ALDERSON & CABRAL	LEGAL SERVICES DECEMBER	9,292.50
48094	01/12/2012	Printed		16300	PLACER COUNTY WATER AGENCY	WATER	2,163.80
48095	01/12/2012	Printed		16150	PLACER COUNTY ASSESSOR	APN LISTING	184.70
48096	01/12/2012	Printed		16200W	PLACER COUNTY SHERIFFS DEPT.	TELEPHONE	123.38
48097	01/12/2012	Printed		16727	PONTICELLO ENTERPRISES	ENGINEERING NOVEMBER 2011	19,689.00
48098	01/12/2012	Printed		17950	R2 ENGINEERING, INC	WWTP PUMP REPAIR	163.68
48099	01/12/2012	Printed		18110	RAY MORGAN COMPANY	COPY MACHINE CONTRACT 2/1-4/30	511.94
48100	01/12/2012	Printed		18193	RECOLOGY AUBURN PLACER	GARBAGE BIN DEBRIS BOX WWTP	690.00
48101	01/12/2012	Printed		18376	RICHARDSON & COMPANY	AUDIT FY 6/30/11	9,447.28
48102	01/12/2012	Printed		18400	RIEBES AUTO PARTS	SUPPLIES	623.61
48103	01/12/2012	Printed		19300	SHAW ENVIRONMENTAL, INC.	UNDERGROUND STORAGE TESTING	13,364.36
48104	01/12/2012	Printed		19500	SOLON FIRE CONTROL	EQUIPMENT REPAIR FIRE DEPT	94,52
48105	01/12/2012	Printed		14295	SPRINT NEXTEL COMMUNICATIONS	CELL PHONES	600.24
48106	01/12/2012	Printed	•	16600	STATIONARY ENGINEERS, LOCAL 39	HEALTH INSURANCE FEB	7,675.00
48107	01/12/2012	Printed		30016	DAVE STOECKLE	PLANNING DEPOSIT REFUND	113.00
48108	01/12/2012	Printed		19696	SWRCB ACCOUNTING OFFICE	LANDFILL PERMIT FEE 7/1-6/30	6,840.00
48109	01/12/2012	Printed		21560	US BANK CORPORATE PMT SYSTEM	CREDIT CARD PURCHASES	17,805.03
48110	01/12/2012	Printed		21862	US TRENCHLESS	SEWER LATERAL INSPECTION	225.00
48111	01/12/2012	Printed		21500	USA BLUE BOOK, INC	WWTP LAB SUPPLIES	654.84
48112	01/12/2012	Printed		22106	VAN GRONINGEN & ASSOCIATES	FINANCE CONSULTING	4,273.75
48113	01/12/2012	Printed		22115	VERIZON CALIFORNIA	TELEPHONE	964.98
48114	01/12/2012			03133	WATER POLLUTION CONTROL SERV	WWTP OPERATIONS DECEMBER	9,319.75
48115	01/12/2012	Printed		23301	WESTERN PLACER WASTE	WWTP SLUDGE REMOVAL	611.10
48116	01/12/2012			23450	WINNER CHEVROLET, INC.	WWTP TRUCK MIRROR	135.73
48117	01/13/2012			30017	JIM BOWERS	CITY HALL MURAL	200.00

# Check Register Report

CITY OF COLFAX BANK: US BANK

Date:

02/02/2012

425,397.61

Time: Page: 2:27 pm 2

Check Number	Check Date	Status	Void/Stop Date	Vendor Number	Vendor Name	Check Description	Amount
US BANK	Checks				*		
48118	01/30/2012	Printed		01448	AMERIGAS - COLFAX	PROPANE CITY HALL	666.01
48119	01/30/2012	Printed		01500	ANDERSON'S SIERRA	POND 3 DEWATERING EPA	25.16
48120	01/30/2012	Printed		02050	BANK OF AMERICA	CREDIT CARD PURCHASES	44.98
48121	01/30/2012	Printed		03118	CALCON SYSTEMS, INC	POND 3 DEWATERING EPA	476.10
48122	01/30/2012	Printed		03820	CWEA	MEMBERSHIP DUES	132.00
48123	01/30/2012	Printed		04575	DOWNEY BRAND	WWTP LEGAL SERVICES	4,107.46
48124	01/30/2012	Printed		07460	GOLD COUNTRY MEDIA	PUBLIC HEARING NOTICE MCDONALD	162.80
48125	01/30/2012	Printed		08084	HDR ENGINEERING, INC.	WWTP OP/MAINT MANUAL AUG	18,702.75
48126	01/30/2012			08560	HOWARD E. HUTCHING	WWTP EQUIPMENT REPAIR	1,181.90
48127	01/30/2012	Printed		08660	HUNT AND SONS, INC.	GASOLINE PUBLIC WORKS	473.69
48128	01/30/2012	Printed		09520	INTERNATIONAL INSTITUTE OF		135.00
48129	01/30/2012	Printed		10101	JD PASQUETTI ENGINEERING, INC	DINKY CLOSURE	52,908.36
48130	01/30/2012	Printed		13239	MCGUIRE & HESTER	LIFT STATION FORCE MAIN REPAIR	4,231.83
48131	01/30/2012	Printed		16035	PG&E	UTILITIES	13,189.69
48132	01/30/2012	Printed		16040A	PITNEY BOWES	POSTAGE	500.00
48133	01/30/2012	Printed		16165	PLACER COUNTY ENVIRONMENTAL	LANDFILL CLOSURE	325.50
48134	01/30/2012	Printed		06209	PLACER COUNTY REVENUE SERVICES	ANIMAL CONTROL 1/1-3/31/12	8,801.32
48135	01/30/2012	Printed		16727	PONTICELLO ENTERPRISES	ENGINEERING DECEMBER	17,672.25
48136	01/30/2012	Printed		18120	RBI-ROBERTSON-BRYAN, INC.	WER STUDY	6,940.00
48137	01/30/2012	Printed		18400	RIEBES AUTO PARTS	SUPPLIES	20.44
48138	01/30/2012	Printed		19390	SIERRA MARKET	SUPPLIES	6.54
48139	01/30/2012	Printed		16600	STATIONARY ENGINEERS, LOCAL 39	HEALTH INSURANCE MARCH	7,675.00
48140	01/30/2012	Printed		21450	URKE SEPTIC SERVICES	LIFT STATION REPAIR	1,462.50
48141	01/30/2012	Printed		23110	WALKER'S OFFICE SUPPLIES	SUPPLIES	215.03
48142	01/30/2012	Printed		23101	LARRY WALKER	NPDES ASSISTANCE/ POND 3	15,633.34
48143	01/30/2012	Printed		23436	WILEY PRICE AND RADULOVICH,LLP	LEGAL SERVICE UNION ISSUE	282.70
48144	01/31/2012	Printed		<b>10</b> 101	JD PASQUETTI ENGINEERING, INC	DINKY CLOSURE	7,519.30
				Total Ch	ecks: 70 Checks	Total (excluding void checks):	425,397.61
				Total Payn	nents: 70 Bank	Total (excluding void checks):	425,397.61

Grand Total (excluding void checks):

Total Payments: 70

01/01/2012 - 01/31/2012

Page: 1 2/4/2012 11:40 am

City of Colfax

Limited to include: JE Types of: CR

TOTALS:	2,005.61 1,600.00 299,682.77	0.00 0.00 0.00 0.00 0.00 187.07	Net Chng 4,598.48 30,794.51 260,684.17 2,005.61 1,600.00 -187.07
TOTALS:	30,794.51 260,684.17 2,005.61 1,600.00	0.00 0.00 0.00 0.00 187.07	30,794.51 260,684.17 2,005.61 1,600.00 -187.07
TOTALS:	260,684.17 2,005.61 1,600.00 0.00	0.00 0.00 0.00 187.07	260,684.17 2,005.61 1,600.00 -187.07
TOTALS:	2,005.61 1,600.00 0.00	0.00 0.00 187.07	2,005.61 1,600.00 -187.07
TOTALS:	1,600.00	0.00	1,600.00
TOTALS:	0.00	187.07	-187.07
TOTALS:			
TOTALS:	299,682.77	187.07	200 405 70
			4775 <del>4</del> 73.70
	153.90	0.00	153.90
TOTALS:	153.90	0.00	153.90
	40.39	0.00	40.39
TOTALS:	40.39	0.00	40.39
	1.50	0.00	1.50
TOTALS:	1.50	0.00	1.50
	23.23	0.00	23.23
TOTALS:	23.23	0.00	23.23
	118.36	0.00	118.36
TOTALS:	118.36	0.00	118.36
	0.08	0,00	0.08
TOTALS:	0.08	0.00	0.08
· · · · · · · · · · · · · · · · · · ·	TOTALS:  TOTALS:	TOTALS: 153.90  40.39  TOTALS: 40.39  1.50  TOTALS: 1.50  23.23  TOTALS: 23.23  TOTALS: 118.36	TOTALS:       153.90       0.00         40.39       0.00         TOTALS:       40.39       0.00         TOTALS:       1.50       0.00         TOTALS:       23.23       0.00         TOTALS:       23.23       0.00         TOTALS:       118.36       0.00         TOTALS:       0.00       0.00

01/01/2012 - 01/31/2012

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City of Colfax

Limited to include: JE Types of: CR

City of Colfax					
			Debit	Credit	Net Chng
01/31/2012	Daily Totals		13.04	0.00	13.04
Fund: 217 - MITIGA	ATION FEE - D.T. PARKING	TOTALS:	13.04	0.00	13.04
Fund: 218 - SUPPO	RT LAW ENFORCEMENT				
01/31/2012	Daily Totals		5.98	0.00	5.98
Fund: 218 - SUPPO	RT LAW ENFORCEMENT	TOTALS:	5.98	0.00	5.98
Fund: 241 - HOUSI	NG REHABILITATION				
01/31/2012	Daily Totals	######################################	63.80	0.00	63.80
Fund: 241 - HOUSI	NG REHABILITATION	TOTALS:	63.80	0.00	63.80
Fund: 244 - MICRO	ENTERPRISE LENDING-CDBG				
01/11/2012	Daily Totals	***************************************	300.00	0.00	300.00
01/31/2012	Daily Totals		46.46	0.00	46.46
Fund: 244 - MICRO	ENTERPRISE LENDING-CDBG	TOTALS:	346.46	0.00	346.46
Fund: 250 - TRANS	PORTATION				
01/11/2012	Daily Totals		12.00	0.00	12.00
01/31/2012	Daily Totals		0.00	21.34	-21.34
Fund: 250 - TRANS	PORTATION	TOTALS:	12.00	21.34	-9.34
Fund: 252 - TRANS	PORTATION IMPACT				
01/31/2012	Daily Totals		31.32	0.00	31.32
Fund: 252 - TRANS	PORTATION IMPACT	TOTALS:	31.32	0.00	31.32
Fund: 253 - GAS TA	AXES				
01/31/2012	Daily Totals		4,289.76	0.00	4,289.76
Fund: 253 - GAS TA	AXES	TOTALS:	4,289.76	0.00	4,289.76
Fund: 270 - BEVER	AGE RECYCLING				,
01/31/2012	Daily Totals		9.64	0.00	9.64
Fund: 270 - BEVER	AGE RECYCLING	TOTALS:	9.64	0.00	9.64
Fund: 280 - Used Oi	l Grant UOG3-95-1432-31				
Late the last and the Tra					

01/01/2012 - 01/31/2012

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City of Colfax					
			Debit	Credit	Net Chng
01/18/2012	Daily Totals		240.00	0.00	240.00
01/31/2012	Daily Totals		0.00	0.19	-0.19
Fund: 280 - Used Oi	I Grant UOG3-95-1432-31	TOTALS:	240.00	0.19	239.81
Fund: 286 - BRICKS	S				
01/31/2012	Daily Totals		2.66	0.00	2.66
Fund: 286 - BRICKS	S	TOTALS:	2.66	0.00	2.66
Fund: 292 - FIRE C	APITAL FUND	,			
01/31/2012	Daily Totals		13.81	0.00	13.81
Fund: 292 - FIRE C.	APITAL FUND	TOTALS:	13.81	0.00	13.81
Fund: 343 - RECRE	ATION CONSTRUCTION				
01/31/2012	Daily Totals		5.91	0.00	5.91
Fund: 343 - RECRE	ATION CONSTRUCTION	TOTALS:	5.91	0.00	5.91
Fund: 350 - STREE	TS IMPROVEMENT PROJECTS				
01/31/2012	Daily Totals		102.01	0.00	102.01
Fund: 350 - STREE	TS IMPROVEMENT PROJECTS	TOTALS:	102.01	0.00	102.01
Fund: 380 - CABOO	SE RESTORATION				
01/31/2012	Daily Totals		0.18	0.00	0.18
Fund: 380 - CABOO	OSE RESTORATION	TOTALS:	0.18	0.00	0.18
Fund: 560 - SEWER					
01/13/2012	Daily Totals		51,268.86	0.00	51,268.86
01/24/2012	Daily Totals		200.00	0.00	200.00
01/31/2012	Daily Totals		0.00	501.77	-501.77
Fund: 560 - SEWER		TOTALS:	51,468.86	501.77	50,967.09
Fund: 561 - SCSWA	D LIFT				
01/03/2012	Daily Totals		814.00	0.00	814.00
01/11/2012	Daily Totals		407.00	0.00	407.00

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City of Colfax					
			Debit	Credit	Net Chng
01/13/2012	Daily Totals		9,788.06	0.00	9,788.06
01/18/2012	Daily Totals		407.00	0.00	407.00
01/31/2012	Daily Totals		110.83	0.00	110.83
Fund: 561 - SCSWAl	D LIFT	TOTALS:	11,526.89	0.00	11,526.89
Fund: 563 - WASTE	WATER TREATMENT PLANT				
01/13/2012	Daily Totals		19,411.22	0.00	19,411.22
Fund: 563 - WASTE	WATER TREATMENT PLANT	TOTALS:	19,411.22	0.00	19,411.22
Fund: 565 - GENERA	AL OBLIGATION BOND				
01/13/2012	Daily Totals		4,147.11	0.00	4,147.11
01/31/2012	Daily Totals		10.34	0.00	10.34
Fund: 565 - GENERA	AL OBLIGATION BOND	TOTALS:	4,157.45	0.00	4,157.45
Fund: 567 - I & I					
01/13/2012	Daily Totals		41,590.74	0.00	41,590.74
01/31/2012	Daily Totals		180.58	0.00	180.58
Fund: 567 - I & I		TOTALS:	41,771.32	0.00	41,771.32
Fund: 570 - GARBA	GE				
01/13/2012	Daily Totals		16,488.28	0.00	16,488.28
01/31/2012	Daily Totals		0.00	225.35	-225.35
Fund: 570 - GARBA	GE	TOTALS:	16,488.28	225.35	16,262.93
Fund: 571 - 2% AB9	39				
01/13/2012	Daily Totals	·····	366.91	0.00	366.91
01/31/2012	Daily Totals		15.80	0.00	15.80
Fund: 571 - 2% AB9	39	TOTALS:	382.71	0.00	382.71
Fund: 572 - 27% LA	NDFILL				
01/13/2012	Daily Totals		3,684.75	0.00	3,684.75
01/31/2012	Daily Totals		336.49	0.00	336.49

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			Debit	Credit	Net Chng
Fund: 572 - 27% LA	NDFILL	TOTALS:	4,021.24	0.00	4,021.24
Fund: 998 - PAYRO	LL CLEARING FUND				
01/31/2012	Daily Totals		0.00	287.71	-287.71
Fund: 998 - PAYROLL CLEARING FUND		TOTALS:	0.00	287.71	-287.71
	GRAND TOTALS:		454.384.77	1.223.43	453.161.34

# CITY OF COLFAX, CALIFORNIA

Audited Financial Statements and Supplemental Information

June 30, 2011

# CITY OF COLFAX, CALIFORNIA

# Audited Financial Statements and Supplemental Information

# June 30, 2011

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# Richardson & Company

550 Howe Avenue, Suite 210 Sacramento, California 95825

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#### INDEPENDENT AUDITOR'S REPORT

To the City Council City of Colfax, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Colfax, California, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Colfax, California's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Colfax, California, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note K to the financial statements, the City has suffered recurring losses from operations in its Sewer Enterprise Fund, legal settlements and reduced General Fund revenues, which raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note K. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The management's discussion and analysis on pages 3 through 13 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the City Council City of Colfax, California

In accordance with Government Auditing Standards, we have also issued our report dated January 26, 2012 in our consideration of the City of Colfax, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the City of Colfax's basic financial statements. The combining and individual Nonmajor fund statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of City of Colfax, California. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Richardson & Company

January 26, 2012

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Colfax (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. We encourage the readers to consider the information presented here in conjunction with the accompanying basic financial statements and the additional information presented.

#### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded liabilities by \$10,980,696 (net assets). These net assets are allocated as follows:
  - Invested in Capital assets, net of related debt \$11,253,028
  - Restricted net assets of \$949,121. This amount is for Special revenue funds, Capital project funds and Debt service fund.
  - Negative unrestricted fund balance at the end of the year was (\$1,221,453) as compared to (\$687,113) for the previous year. This change in balance of (\$534,340) is largely attributable to:
    - Liability for an arbitration decision against the City in the amount of (\$152,683) recorded in governmental activities the decision is pending approval by the City.
    - Increase in the liability for Post closure landfill costs in the amount of (\$394,527). The total liability for closure costs is \$622,970 based on estimates for postclosure care for the remaining 27 years of State and Federal Requirements to provide maintenance and monitoring functions on a landfill for 30 years after closure.
- The Sewer Enterprise fund continued to be impacted by escalating costs associated with the construction and operation of the water treatment plant, in addition to expenses associated with requirements of a cease and desist order. During the year ended June 30, 2011, the Sewer Fund incurred substantial legal expenses related to the defense of an ongoing lawsuit.

The Sewer Enterprise fund incurred a negative cash balance of \$622,791 as of June 30, 2011 as a result of the increased expense described above and the timing of expense reimbursements on grant funding. This negative cash balance resulted in borrowing from other funds – primarily Special Revenue and Solid Waste funds due to the General Fund not having reserves to loan. Refer to Note K of the financial statements for information on new project funding and deferment of loan

payments which will improve cash flow. The City will also continue to increase sewer rates with a 3.5% inflator for each year.

- Total revenues from all sources were \$5,738,297, and total expenditures from all sources were \$4,364,681.
- The General Fund unreserved net assets is \$65,398. The General Fund reported revenue in excess of expenditures and other financing uses of \$46,323.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets on page 13 and the Statement of Activities on page 14 provide information about the activities as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 15. For governmental activities, these statements explain how programs and services were financed in the short term (the most recently completed fiscal year), as well as the amounts remaining available for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. Fund financial statements also provide financial information about activities for which the City acts solely as a trustee or agent (fiduciary) for the benefit of individuals and entities external to this governmental unit.

### Reporting the City as a Whole

Our analysis of the City as a whole begins on page 13. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector business entities. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. To reach a conclusion on this issue, you may need to consider other matters of a non-financial nature, such as:

- the condition of the City's infrastructure (streets and roadways, storm drainage improvements, sewer system, city hall), or
- the economic vitality of the core business districts, or
- the adequacy of emergency response times of police and fire personnel,

in order to properly assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two (2) kinds of activities:

- 1. Governmental activities: most of the City's basic services are reported here, including the operations of the police, fire, building inspection, public works and general administration. Taxes (primarily property and sales), licenses, permits, state and federal grants, and franchise payments finance most of these activities.
- 2. Business-type activities: the City charges fees to customers to cover most of the cost of certain services and programs it provides. The City's wastewater treatment and garbage operations are reported here.

# Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on 15. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law (Gas Tax and Law Enforcement Grants funds). However, the City Council establishes many other funds to help it control and manage money for particular purposes (like the Recreation Fund and Depot Restoration Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two (2) kinds of funds – governmental and proprietary (business-type) – use different accounting approaches:

- Governmental funds: Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds, and the balances left at year-end that may be available for future spending. These funds are reported using an accounting method described as modified accrual accounting. This accounting method (basis) measures the availability of cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the City's general government operations, and the basic services it provides to residents and visitors of the City. Governmental fund information helps you to determine what financial resources are available to be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental funds, in a reconciliation (see pages 16 and 18).
- <u>Proprietary funds</u>: When the City charges customers for the full cost for the services it provides, those services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The City's enterprise funds (Sewer and Garbage Operations) are the business-type

activities that we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

### THE CITY AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Colfax, net assets exceeded liabilities by \$10,980,696 at the close of the current fiscal year.

By far the largest portion of the City's net assets reflects its investment in capital assets (e.g., land, street, sewer and storm drain systems, buildings and park assets, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debts, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's combined net assets for the year ending June 30, 2011 and 2010 are summarized (Table 1), as follows:

Table 1
City of Colfax, Net Assets
(in Thousands)

	Governmental		Busi	ness		
	Activ	ities	Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets: Current and other assets Capital assets	\$ 1,351 3,756	\$ 1,770 2,877	\$ 1,051 15,479	\$ 852 13,665	\$ 2,402 19,235	\$ 2,622 16,542
Total Assets	5,107	4,647	16,530	14,517	21,637	19,164
Liabilities: Long-term debt outstanding	734	27	8,619	8,368	9,353	8,395
Other liabilities  Total Liabilities	1,029	348	1,008 9,627	9,182	1,303	9,557
Net Assets: Invested in capital assets, net of debt Restricted	3,206 894	2,877 1,173	8,047 55	6,224 20	11,253 949	9,101 1,193
Unrestricted	(22)	222	(1,199)	(909)	(1,221)	(687)
Total Net Assets	\$ 4,078	\$ 4,272	\$ 6,903	\$ 5,335	\$ 10,981	\$ 9,607

The City is concerned with the negative balance in Unrestricted funds for Business-type activities – primarily attributed to the Sewer Enterprise fund as reported in the Financial Highlights and throughout the basic financial statements and accompanying footnotes.

The amount reported for net assets of Governmental activities does not include the value of the City's infrastructure (roadways, bridges and storm drainage improvements) constructed prior to July 1, 2003.

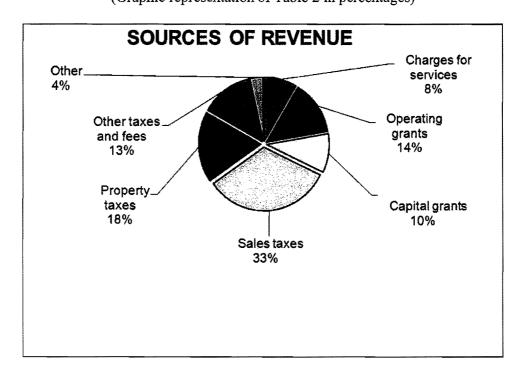
### **Governmental Activities**

The City's governmental activities net assets increased by \$1,373,000. The key elements of this increase are as follows:

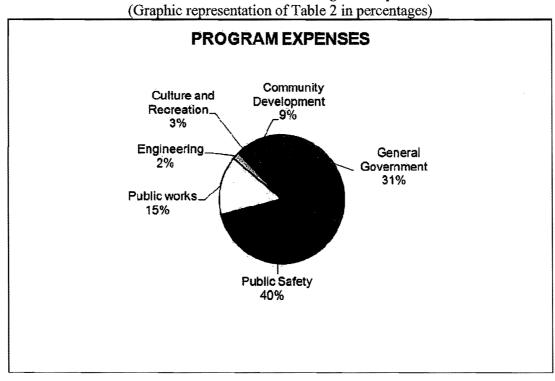
Table 2
City of Colfax, Change in Net Assets
(in Thousands)

	Govern	mental	Busi	ness		
	Activ	ities	Activ	vities	To	tal
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 138	\$ 174	\$ 1,981	\$ 1,944	\$ 2,119	\$ 2,118
Operating grants and					·	,
contributions	224	181	_	-	224	181
Capital grants and						
contributions	161	63	2,126	1,496	2,287	1,559
General revenues:						
Sales taxes	538	553			538	553
Property taxes	291	289	7	9	298	298
Other taxes and fees	211	222			211	222
Earnings on investments	6	9	(2)	(1)	4	8
Other	57	67			57	67
Total revenues	1,626	1,558	4,112	3,448	5,738	5,006
Expenses:						
General government	570	424			570	424
Public Safety	724	693			724	693
Public works	271	341			271	341
Engineering	33	40			33	40
Culture and recreation	58	44			58	44
Community development		191			164	191
Sewer	_	-	1,669	2,567	1,669	2,567
Garbage	-	-	876	467	876	467
Total expenses	1,820	1,733	2,545	3,034	4,365	4,767
Change in net assets						
before transfers	(194)	(175)	1,567	414	1,373	239
Transfers	(174)	(173)	1,307	414	1,373	237
Change in net assets	(194)	(175)	1,567	414	1,373	239
Change in het assets	(194)	(1/3)	1,307	414	1,3/3	239
Net assets, July 1	4,272	4,447	5,335	4,921	9,607	9,368
Net assets, June 30	\$ 4,078	\$ 4,272	\$ 6,902	\$ 5,335	\$ 10,980	\$ 9,607

Fiscal Year 2010-2011
Governmental Activities – Sources of Revenue
(Graphic representation of Table 2 in percentages)



Fiscal Year 2010-2011
Governmental Activities – Program Expenses
Graphic representation of Table 2 in paraentages



## **Business-Type Activities**

Business-type activities increased the City of Colfax's net assets by \$1,567,317. Detailed revenues and expenditures are reported in Table 2 on page 8.

- The City was entitled to capital grants reimbursements for the Sewer Collection System/Lift stations repairs and improvements project. The total grants collected and accrued were \$2,126,100
- The liability for Post closure landfill costs was increased in the amount of \$394,527, which reduced net assets.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

#### **Capital Assets**

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital assets include police, fire and public works equipment, vehicles, buildings, roads, wastewater treatment facilities and sewer lines. At June 30, 2011, net capital assets of the governmental activities totaled \$3,756,168 and the net capital assets of the business-type activities totaled \$15,479,356. Depreciation on capital assets is recognized in the Governmental-Wide financial statements. (See table 3 and Note D to the financial statements.)

Table 3
City of Colfax, Capital Assets
(in Thousands)

	Governmental				Busi							
	Activities				Activ	rities		Total				
	2	2011	2010		2011		2010		2011		2010	
Land	\$	560	\$	10	\$	135	\$	135	\$	695	\$	145
Construction in progress		244	244		3,776		1,649		4,020		1,893	
Building and Improvements		3,367	2,944		14,114		1	4,054	17,481		16,998	
Vehicles		444	444		3		3		447		447	
Furnitures and Fixtures		7		7		-		-		7		7
Machinery and equipment		471		439		411		411		882		850
Accumulated depreciation		(1,337)	(	1,211)	(	2,960)	(	2,587)	(	4,297)	(	(3,798)
<b>Total Assets</b>	\$	3,756	\$ 2,877		\$15,479		\$13,665		\$1	9,235	\$1	6,542

Major capital asset improvements and additions during the current fiscal year included the following:

• Repairs and improvements to the Sewer Collection Systems and Lift Stations in the amount of (\$2,127,110).

### **Long-Term Debt**

At year-end, the City of Colfax had total long-term debts outstanding of \$9,353,295, as compared to a total of \$8,394,970 last year (See Table 4 and Note E to the financial statements).

Table 4
City of Colfax, Outstanding Debt
(in Thousands)

	Governmental Activities			Business Activities				Total				
	2011		2010		2011		2010		2011		2010	
N. D. 11	Ф	<b>550</b>	Φ		Φ.		Φ.		<b>t</b> h	<b></b>	Φ.	
Note Payable	\$	550	\$	-	\$	-	\$	-	\$	550	\$	-
Compensated absences		31		27		12		16		43		43
Landfill Closure						623		252		623		252
General obligation bond		-		-		40		44		40		44
Sewer revenue bond		_		-		35		39		35		39
Notes payable		-		-	7	,357	7	,357	,	7,357	7	,357
Legal Settlements		153				552		660		705		660
Total Long-term Debt	\$	734	\$	27	\$ 8	,619	\$ 8	,368	\$ !	9,353	\$ 8	3,395

The City's long-term debt includes: compensated absences due employees for accrued vacation and sick leave pay, Post Closure expenses related to the City's closed landfill site, notes payable for the construction of the sewer plant, note payable for the purchase of property and legal settlements as described in Notes E and H of the financial statements. Additionally, the City issued general obligation bonds and sewer revenue bonds to finance the sewer facility back in 1978. New debt for 2011 includes legal settlements (\$152,683) and a note payable for property purchase (\$550,000) in the Governmental funds and an increase in Post Closure liability (\$394,527) in the Sewer Enterprise fund as described in Note E of the financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In considering the City Budget for fiscal year 2011-2012, the City Council and management were cautious as to the growth of revenues and expenditures. The general fund operating budget for 2011/12 indicates expenditures exceeding revenues by approximately \$20,000. Cash flow shortages primarily created by the Sewer Enterprise Fund have forced the City to further limit spending, postpone payables, and delay capital projects. Some of the actions being taken to compensate for the shortages are:

Maintain reduced staff levels

- The City negotiated a franchise agreement for Garbage collections (effective July 01, 2011) that will eliminate the deficit in Garbage fund operations.
- In accordance with Resolution 33-2008, City will continue to increase sewer rates with a 3.5% inflator for each fiscal year.
- The City has obtained funding from USDA, EPA and the State of California Water Resources Control Board to complete the lining of reservoir pond number three. This funding arrangement includes restructuring the existing loan with the State for the wastewater treatment plant. The new loan totals \$12,825,600 with an interest rate of 1% and no administrative charge. The State will forgive \$3,319,000 of the loan if the City complies with the Project Finance agreement. Repayment of the new loan will be interest only until completion of the project which is expected to be in 2014.

#### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances, and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, City of Colfax, 33 S. Main Street, Colfax, California 95713.

# BASIC FINANCIAL STATEMENTS

# GOVERNMENT-WIDE STATEMENT OF NET ASSETS

# June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents Accounts receivable net of allowance	\$ 545,602	\$ 111,438	\$ 657,040
for doubtful accounts	10,913	258,519	269,432
Due from other government agencies	262,416	889,897	1,152,313
Interest receivable	743	(310)	433
Notes receivable	56,869		56,869
Prepaid expenses	1,095	864	1,959
Internal balances	472,791	(472,791)	
Total current assets	1,350,429	787,617	2,138,046
Restricted Assets:		262.066	262.266
Cash in escrow		262,966	262,966
Noncurrent assets: Capital assets net of accumulated depreciation			
Non-depreciable	803,950	3,911,113	4,715,063
Depreciable	2,952,218	11,568,243	14,520,461
	3,756,168	15,479,356	19,235,524
Total assets	5,106,597	16,529,939	21,636,536
LIABILITIES		•	
Current liabilities:			
Accounts payable	258,013	429,523	687,536
Retention payable		262,966	262,966
Accrued expenses	10,067	315,446	325,513
Unearned revenue	26,530		26,530
Current portion of long-term liabilities	173,080	380,067	553,147
Total current liabilities	467,690	1,388,002	1,855,692
Long-term liabilities:			
Postclosure landfill costs		622,970	622,970
Bonds payable		36,000	36,000
Notes payable	545,281	7,357,496	7,902,777
Legal settlements		216,512	216,512
Compensated absences	15,679	6,210	21,889
Total long-term liabilities	560,960	8,239,188	8,800,148
Total liabilities	1,028,650	9,627,190	10,655,840
NET ASSETS			
Invested in capital assets, net of related debt	3,206,168	8,046,860	11,253,028
Restricted net assets	894,120	55,001	949,121
Unrestricted net assets	(22,341)	(1,199,112)	(1,221,453)
Total net assets	\$ 4,077,947	\$ 6,902,749	\$ 10,980,696

## GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

		1	Program Reven	ues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities General government Public safety Public works Community development Engineering services Culture and recreation	\$ 569,977 723,396 270,878 164,020 33,389 58,186	\$ 110,289 25,015 (2,693) 5,435	\$ 107,670 116,875	\$ 160,597	\$ (459,688) (590,711) (110,281) (47,145) (36,082) (52,751)		\$ (459,688) (590,711) (110,281) (47,145) (36,082) (52,751)
Total governmental activities	1,819,846	138,046	224,545	160,597	(1,296,658)		(1,296,658)
Business-type activities: Sewer Garbage Interest on long-term debt	1,483,774 876,271 184,790	1,570,729 410,259		2,126,100		\$ 2,213,055 (466,012) (184,790)	2,213,055 (466,012) (184,790)
Total business-type activities	2,544,835	1,980,988		2,126,100		1,562,253	1,562,253
Total government	\$ 4,364,681	\$2,119,034	\$ 224,545	\$ 2,286,697	(1,296,658)	1,562,253	265,595
		Franchise	use taxes axes occupancy tax s		537,890 291,219 16,892 13,568	6,836	537,890 298,055 16,892 13,568
		Gas taxes Motor vehic Investment i Rental incor Miscellaneo	le in-lieu income ne		48,818 132,121 5,521 40,896 16,032	(1,772)	48,818 132,121 3,749 40,896 16,032
		Total general i	revenues and tra	ansfers	1,102,957 (193,701)	5,064 1,567,317	1,108,021 1,373,616
		Net assets - be	ginning		4,271,648	5,335,432	9,607,080
		Net assets - en	iding		\$ 4.077,947	\$ 6.902.749	\$10,980,696

## BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2011

	Major Funds						
ASSETS	General Fund		Capital Projects Fund		Nonmajor Governmental Funds		 Total
Cash and cash equivalents Accounts receivable, net of allowance	\$	121,603	\$	82,666	\$	341,333	\$ 545,602
for doubtful accounts  Due from other governmental agencies  Interest receivable		10,913 133,611 (69)		81,182 171		47,623 641	10,913 262,416 743
Notes receivable Prepaid expenses Due from other funds		56,791				56,869 1,095 416,000	 56,869 1,095 472,791
Total assets	\$	322,849	_\$_	164,019	\$	863,561	\$ 1,350,429
LIABILITIES							
Accounts payable Accrued expenses Deferred revenue Total liabilities	\$	145,011 7,718 59,968 212,697	\$	73,306 75,452 148,758	\$	39,696 2,349 42,816 84,861	\$ 258,013 10,067 178,236 446,316
FUND BALANCES							
Nonspendable Restricted Unassigned Total fund balances		44,754 65,398 110,152		126,512 (111,251) 15,261		57,964 732,464 (11,728) 778,700	 102,718 858,976 (57,581) 904,113
Total liabilities and fund balances	\$	322,849	\$	164,019	\$	863,561	\$ 1,350,429

# RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO GOVERNMENT-WIDE STATEMENT OF NET ASSETS

# June 30, 2011

Total Governmental Fund Balances	\$	904,113
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.		3,756,168
Certain receivables are not available to pay current period expenditures and therefore are deferred in the governmental funds		151,706
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental		
funds balance sheet.		(734,040)
Net Assets of Governmental Activities	_\$_	4,077,947

# STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

### For the Year Ended June 30, 2011

Major Funds Capital Nonmajor Total General Project Governmental Governmental Fund Funds Funds Fund **REVENUES:** \$ \$ 48,818 922,449 Taxes 873,631 40,244 Licenses, fees and permits 39,002 1,242 Intergovernmental revenues 151,499 184,565 431,459 \$ 95,395 Charges for services 88,072 88,072 Fines, forfeitures and penalties 10,972 10,972 Use of money and property 42,354 46,417 1,012 3,051 Other revenue 9,084 2,260 818 12,162 Total revenues 1,214,614 98,667 238,494 1,551,775 **EXPENDITURES:** General government 405,265 231 405,496 Public safety 667,385 566,675 100,710 Public works 246,433 96,258 150,175 Community development 6,009 93,704 87,695 Engineering services 33,389 33,389 Cultural and recreation 26,829 26,829 Capital outlay 550,000 486,239 32,825 1,069,064 Total expenditures 1,678,416 492,248 371,636 2,542,300 Excess (deficiency) of revenues over (under) expenditures (463,802)(393,581)(133,142)(990,525)OTHER FINANCING SOURCES (USES): Proceeds from long-term debt 550,000 550,000 6,009 Transfers in 59,250 1,306 66,565 Transfers out (41,181)(25,384)(66,565)6,009 Total other financing sources (uses) 510,125 33,866 550,000 Excess (deficiency) of revenues and other sources over expenditures and other uses 46,323 (387,572)(99,276)(440,525)Fund balances - beginning of year 63,829 402,833 877,976 1,344,638 Fund balances - end of year 110,152 15,261 \$ 778,700 \$ 904,113

#### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

#### For the Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$	(440,525)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		
Capital outlay		1,069,064
Depreciation expense		(160,478)
In the statement of activities, only the gain or (loss) on the sale of capital assets is reported, whereas in the governmental funds, proceeds from sales increase financial resources.		(29,010)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-wide Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceed repayments.		(550,000)
Some receivables are deferred in the governmental funds because the amounts do not represent current financial resources that are recognized under the accrual basis in the statement of activities.		
Deferred revenue recognized		151,706
Deferred revenue recognized last year		(77,337)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not expenditures in the governmental funds.		
Change in compensated absences		(4,438)
Settlement accrued		(152,683)
Change in Net Assets of Governmental Activities	_\$_	(193,701)

# STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND

For the Year Ended June 30, 2011

						Actual Amounts (Budgetary		Variance with Final Budget	
	Budgeted Amounts				Basis)		Positive/		
		Original		Final	(26	e Note A)	1)	legative)	
Revenues:									
Taxes	\$	803,900	\$	803,900	\$	873,631	\$	69,731	
Licenses,fees and permits		37,000		37,000		39,002		2,002	
Intergovernmental		141,000		141,000		151,499		10,499	
Charges for services		15,100		15,100		88,072		72,972	
Fines and forfeitures		15,000		15,000		10,972		(4,028)	
Use of money and property		39,156		39,156		42,354		3,198	
Other revenue		35,608		35,608		9,084		(26,524)	
Total revenues		1,086,764		1,086,764		1,214,614		127,850	
Expenditures: Current:									
General government and administration		306,232		306,232		405,265		(99,033)	
Public safety		556,925		556,925		566,675		(9,750)	
Public works		109,328		109,328		96,258		13,070	
Engineering services		35,100		35,100		33,389		1,711	
Culture and recreation		26,792		26,792		26,829		(37)	
Capital outlay		13,000		13,000		550,000		(537,000)	
Total expenditures		1,047,377		1,047,377		1,678,416		(631,039)	
Excess (deficiency) of revenues									
over expenditures		39,387		39,387		(463,802)		(503,189)	
Other financing sources (uses):									
Proceeds from long-term debt						550,000		550,000	
Transfers in		14,001		14,001		1,306		(12,695)	
Transfers out		******		(96,000)		(41,181)		54,819	
Total other financing uses		14,001		(81,999)		510,125		592,124	
Excess (deficiency) of revenues and other									
sources over expenditures and other uses		53,388		(42,612)		46,323		88,935	
Fund balances - beginning of year		63,829	****	63,829		63,829			
Fund balances - end of year	\$	117,217	\$	21,217	\$	110,152	\$	88,935	

# STATEMENT OF NET ASSETS PROPRIETARY FUNDS

June 30, 2011

	Major Enter		
		Solid	
4.607773	Sewer	Waste	Total
ASSETS:			
Current Assets:		Φ 111 420	Φ 111 <i>4</i> 30
Cash and cash equivalents Accounts receivable net of allowance for doubtful		\$ 111,438	\$ 111,438
accounts of \$2,103 (sewer), \$5,649 (solid waste)	\$ 200,757	57,762	258,519
Due from other governmental agencies	889,897	37,702	889,897
Interest receivable	(509)	199	(310)
Prepaid expenses	864	199	864
Due from other funds	004	150,000	150,000
Total current assets	1,091,009	319,399	1,410,408
	-,0> -,0 0	223,022	-,,,,,
Restricted Assets:			
Cash in escrow	262,966		262,966
AT	•		,
Noncurrent Assets:			
Capital assets:	2.011.112		2 011 112
Nondepreciable	3,911,113	0.00	3,911,113
Depreciable  Total agriculturate mat of accompulated degree intime.	11,567,374	869	11,568,243
Total capital assets, net of accumulated depreciation	15,478,487	809	15,479,356
Total assets	16,832,462	320,268	17,152,730
LIABILITIES:			
Current Liabilities:			
Accounts payable	390,831	38,692	429,523
Retention payable	262,966		262,966
Accrued expenses	315,019	427	315,446
Current portion of long-term liabilities	378,617	1,450	380,067
Due to other funds	622,791		622,791
Total current liabilities	1,970,224	40,569	2,010,793
Long-term Liabilities:			
Postclosure landfill cost		622,970	622,970
Bonds payable, long-term portion	36,000	022,570	36,000
Notes payable, long-term portion	7,357,496		7,357,496
Legal settlements	216,512		216,512
Compensated absences	4,760	1,450	6,210
Total long-term liabilities	7,614,768	624,420	8,239,188
Total liabilities	9,584,992	664,989	10,249,981
NET ASSETS:	0.045.001	960	0.046.060
Invested in capital assets, net of related debt Restricted for:	8,045,991	869	8,046,860
Restricted for: Landfill		55,001	55,001
Unrestricted	(709 521)	•	
	(798,521)	(400,591)	(1,199,112)
Total net assets	\$ 7,247,470	\$ (344,721)	\$ 6,902,749

# STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

For the year ended June 30, 2011

	Major Enter				
		Solid			
	Sewer	Waste	Total		
Operating revenues:					
Service charges	\$ 1,537,171	\$ 400,778	\$ 1,937,949		
Miscellaneous	33,558	9,481	43,039		
Total operating revenues	1,570,729	410,259	1,980,988		
Operating expenses:					
Personnel services	189,377	27,729	217,106		
Operation and maintenance	920,745	848,226	1,768,971		
Depreciation	373,652	316	373,968		
Total operating expenses	1,483,774	876,271	2,360,045		
Income from operations	86,955	(466,012)	(379,057)		
Non-operating revenues (expenses):					
Interest income	(2,666)	894	(1,772)		
Tax assessment	6,836		6,836		
Interest expense	(184,790)		(184,790)		
Total nonoperating revenues	(180,620)	894	(179,726)		
Capital contributions:					
State grant revenue	2,126,100		2,126,100		
Change in net assets	2,032,435	(465,118)	1,567,317		
Net assets, beginning of year	5,215,035	120,397	5,335,432		
Net assets, end of year	\$ 7,247,470	\$ (344,721)	\$ 6,902,749		

# STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended June 30, 2011

	Major Enterprise Funds						
		_		Solid			
Cod There Con On the Author		Sewer		Waste		Total	
Cash Flows from Operating Activities:  Cash received from customers	\$	1,619,413	\$	437,423	\$	2,056,836	
Cash paid to suppliers		1,057,054)	Φ	(459,037)	\$	(1,516,091)	
Cash paid to suppliers  Cash paid to employees and related benefits	,	(218,664)		(27,618)	\$	(246,282)	
Cash paid for landfill closure costs		(210,004)		(23,487)	\$	(23,487)	
Cash provided by operating activities		343,695		(72,719)	Ψ	270,976	
Cash Flows from Noncapital Financing Activities:		· · · · · · · · · · · · · · · · · · ·					
Tax assessments received		6,836				6,836	
Advances from other funds		71,995		42,569		114,564	
Advances to other funds		(227,171)		(300)		(227,471)	
Cash provided by noncapital financing activities		(148,340)		42,269		(106,071)	
Cash Flows from Capital and Related Financing Activities							
Capital expenditures	(	(2,188,071)				(2,188,071)	
Debt principal paid	,	(8,000)				(8,000)	
Intergovernmental revenues received		2,115,890				2,115,890	
Settlements paid		(108,256)				(108,256)	
Interest paid		(4,152)				(4,152)	
Cash used for capital and related financing activities		(192,589)				(192,589)	
Cash Flows from Investing Activities				•			
Interest received		(2,766)		909		(1,857)	
Decrease in cash and cash equivalents				(29,541)		(29,541)	
Cash and cash equivalents, beginning of year				140,979		140,979	
Cash and cash equivalents, end of year	\$	_	\$	111,438		111,438	
Reconciliation of operating income from operations to cash							
provided by operating activities:							
Operating income	\$	86,955	\$	(466,012)	\$	(379,057)	
Adjustments to reconcile operating income to cash							
provided by operating activities:							
Depreciation		373,652		316		373,968	
(Increase) decrease in assets:		40.704		07.164		75.040	
Accounts receivable		48,684		27,164		75,848	
Prepaid expenses		423				423	
(Decrease) increase in liabilities: Accounts payable		(136,732)		(5,338)		(142.070)	
Accounts payable Accrued expenses		(25,279)		(3,336)		(142,070) (25,596)	
Accrued expenses Accrued compensated absences		(4,008)		428		(3,580)	
Postclosure landfill cost		(7,000)		371,040		371,040	
1 ostorosuro idildrini vost			_	371,070		371,070	
Cash provided by operating activities	\$	343,695	\$	(72,719)	\$	270,976	

## NOTES TO THE BASIC FINANCIAL STATEMENTS

#### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Colfax was incorporated in 1910, under the laws and regulations of the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety, highways and streets, sewer, culture-recreation, public improvements, planning and zoning, and general administrative services. The voters of the City of Colfax, California, give authority and responsibility for operations to the City Council. The City Council has the authority to employ administrative and support personnel to carry out its directives. The primary method used to monitor the performance of the City's management is the financial budget, which is adopted annually by the City Council.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The City applies all GASB pronouncements. In addition the City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity: The City operates as a self-governing local government unit within the state of California. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. Voters elect a city council that passes laws and determines broad policies. The council also oversees the operations of the City and approves all budgets, fund transfers and fund balance reserves. The City's main funding sources include property taxes, sales taxes, other inter-governmental revenue from state and federal sources, user fees, and federal and state financial assistance.

Government-wide and Fund Financial Statements: The government-wide financial statements (i.e., the statement of net assets and statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are included in the program expenses of most business-type activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounts of the City are organized on the basis of funds. A fund is a separate self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the last is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements and fiduciary fund statements, with the exception of agency funds, which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Major revenues that are determined to be susceptible to accrual include property taxes and assessments, sales taxes, franchise taxes, charges for services, intergovernmental revenues, and earnings on investments. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues (government mandated nonexchange transactions) are recognized when the City has satisfied all applicable eligibility requirements and if the amounts are measurable. If the grant funds are received before the revenue recognition criteria are satisfied, the unearned amounts are reported as deferred revenue.

The City reports the following major governmental funds:

<u>General Fund</u> – The General Fund is the primary operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

<u>Capital Projects Funds</u> – Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities.

#### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the City reports the following fund types:

#### GOVERNMENTAL FUNDS

<u>Special Revenue Funds</u> – Special Revenue Funds are used to account for the proceeds of specific revenue sources (not including private purpose trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

#### PROPRIETARY FUNDS

<u>Enterprise Funds</u> – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principle operating revenues of the City's enterprise funds and internal service funds are charges to customers or other funds for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

<u>Cash and Cash Equivalents</u>: The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including the City's investment in California Local Agency Investment Fund (LAIF). Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost.

Receivables and Payables: Property, sales, use, and utility user taxes related to the current fiscal year are accrued as revenue and accounts receivable and considered available if received within 60 days of year end. Federal and State grants are considered receivable and accrued as revenue when reimbursable costs are incurred under the accrual basis of accounting in the government-wide statement of net assets. The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and collectible. Unbilled utility revenue earned is recognized as revenue and accounts receivable in the enterprise funds.

#### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transactions between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Eliminations have not been made between or within the fund types.

An allowance for doubtful accounts of \$2,103 and \$5,649 has been provided for Sewer and Solid Waste, respectively, accounts that are deemed uncollectible.

Property Taxes: The County of Placer (the County) is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County up to 1% of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. The City recognizes property taxes when the individual installments are due provided they are collected within 60 days after year end. Secured property taxes are levied on or before January 1 of each year. They become a lien on real property on January 1. These taxes are paid in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, costs and interest when paid. These taxes are secured by liens on the property being taxed.

The term "unsecured" refers to taxes on personal property other than land and buildings. Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due and collected within sixty days after fiscal year-end. The County apportions secured property tax revenue in accordance with the alternate methods of distribution, the "Teeter Plan," as prescribed by Section 4717 of the California Revenue and Taxation code. Therefore, the City receives 100% of the secured property tax levies to which it is entitled, whether or not collected. Unsecured delinquent taxes are considered fully collectible.

These taxes are accrued as intergovernmental receivables only if they are received from the County within 60 days after year end for the governmental funds and are accrued when earned for government-wide presentation regardless of the timing of the related cash flows.

<u>Capital Assets</u>: Capital assets for governmental fund types of the City are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as expenditure in the governmental fund, and the related assets are reported in the government-wide financial statements at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at their estimated fair market value on the date donated.

Public domain (infrastructure) capital assets consisting of certain improvements other than buildings, but including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems have been capitalized prospectively beginning July 1, 2003.

#### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the current year's additions to governmental or business-type capital assets. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 to 50 years
Sewer facility improvements and design costs	20 to 40 years
Safety equipment	5 to 10 years
Vehicles and heavy equipment	5 to 15 years
Furniture and other equipment	5 to 7 years

It is the policy of the City to capitalize all land, building, improvements, equipment, and eventually infrastructure assets, except assets costing less than \$5,000. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Costs of assets sold or retired and the resulting gain or loss is included in the operating statement of the related proprietary fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures and changes in fund balances as proceeds from sale. The proceeds reported in the governmental fund are eliminated and the gain or loss on sale is reported in the government-wide presentation.

Compensated Absences: It is the City's policy to permit employees to accumulate earned but unused vacation. Vacation is accrued when incurred in the government-wide presentation and in the proprietary funds and reported as a fund liability. Amounts that are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations or retirements that are currently payable, are reported as expenditures and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources represent a reconciling item between the fund and government-wide presentation. No expenditure is reported in the governmental fund financial statements for these amounts.

Unused vacation is paid to employees upon termination with one year of service. The maximum accrual for all employees for vacation is one and a half times the employees' annual vacation leave credits. Annually, all employees may "sell back" a portion of their unused vacation. There is no limit as to the accrual of sick leave. Sick leave is not payable upon termination, but may be converted to service credits under the City's defined benefit pension plan.

<u>Long-term Obligations</u>: Long-term debt of governmental funds are reported at face value in the government-wide financial statements and represent a reconciling item between the fund and government-wide presentation. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the government-wide financial statements and represent a reconciling item between the fund and government-wide presentation. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For governmental fund types, proceeds from borrowing are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

#### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Fund Equity</u>: In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned and unassigned balances.

Nonspendable Funds – Fund balance should be reported as nonspendable when the amounts cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Nonspendable balances are not expected to be converted to cash within the next operating cycle, which comprise pre-paid items and long-term receivables.

<u>Restricted Funds</u> – Fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

<u>Committed Funds</u> – Fund balance should be reported as committed when the amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the government's City Council modifies, or removes the fund balance commitment.

<u>Assigned Funds</u> – Fund balance should be reported as assigned when the amounts are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

<u>Unassigned Funds</u> – Unassigned fund balance is the residual classification of the City's funds and includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes.

Net Assets: The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

<u>Invested in Capital Assets</u>, Net of Related Debt – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

<u>Restricted Net Assets</u> – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

<u>Unrestricted Net Assets</u> – This category represents net assets of the City not restricted for any project or other purpose.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted, committed, assigned and unassigned resources as they are needed.

<u>Use of Estimates</u>: The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Budgetary Information</u>: The City Council annually adopts the budget resolution for all operating funds of the City. Budgetary control is legally maintained at the fund level. Department heads submit budget requests to the City Administrator. The Administrator prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30.

All budget amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual budgets during the year. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year. Amounts shown in the financial statements represent the original budgeted amounts and all supplemental appropriations. The supplemental appropriations were immaterial. The budgetary data is prepared on the modified accrual basis consistent with the related "actual" amounts. The City does not use encumbrance accounting.

<u>Excess Expenditures Over Appropriations</u>: The following funds had excess expenditures over appropriations:

Fund		propriations	_E:	Total xpenditures	Excess Expenditures		
General Fund	\$	1,047,377	\$	1,678,416	\$	(631,039)	
Nonmajor Capital Project Funds: Fire Capital Fund		8,000		32,825		(24,825)	

<u>Deficit Fund Equity</u>: The following funds have fund deficits at June 30, 2011:

Fund	 Deficit
Nonmajor Special Revenue Funds: Support Law Enforcement Program	\$ (11,728)
Major Enterprise Funds: Solid Waste	(344,725)

The deficits of these Funds are anticipated to be eliminated with additional intergovernmental revenues or user fees.

#### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

#### NOTE B - CASH AND INVESTMENTS

The City follows the practice of pooling cash and investments of all funds. Cash represents cash on hand, demand deposits in the bank and amounts invested in the State of California Local Agency Investment Fund (LAIF). Cash and investments at June 30, 2011 are classified in the accompanying financial statements as follows:

		vernmental activities		iness-Type activities	 Total
Cash and cash equivalents Cash in escrow	\$	545,602	\$	111,438 262,966	\$ 657,040 262,966
	\$	545,602	\$	374,404	\$ 920,006
As of June 30, 2011, the City's cash and in	vestment	s consisted of	the fo	llowing:	
Cash on hand					\$ 300
Deposits in financial institutions					535,845
Investments	1				202.071
California Local Agency Investment Fur	10				 383,861
		Total	cash ar	nd investments	\$ 920,006

<u>Investment policy</u>: California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
5 years	None	None
5 years	None	None
None	None	10%
None	20%	None
180 days	40%	30%
270 days	40%	10%
None	None	None
N/A	None	None
5 years	30%	5%
365 days	20%	None
None	None	None
	5 years 5 years None None 180 days 270 days None N/A 5 years 365 days	Maturity         Of Portfolio           5 years         None           5 years         None           None         None           None         20%           180 days         40%           270 days         40%           None         None           N/A         None           5 years         30%           365 days         20%

#### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

#### NOTE B - CASH AND INVESTMENTS (Continued)

The City complied with the provisions of California Government Code pertaining to the types of investments held, institutions in which deposits were made and security requirements. The City will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

<u>Interest Rate Risk</u>: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment in LAIF has an average maturity of 237 days.

<u>Credit Risk</u>: Generally, credit risk is the risk that an issue of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's only investment is in LAIF, which is not rated.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Governmental Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2011, the carrying amount of the City's deposits was \$535,845, and the bank balance was \$479,476. The City had no bank balances above the federally insured limit of \$250,000.

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$66,489,270,508 managed by the State Treasurer. Of that amount, 5.01% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

#### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

#### NOTE C - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2011 were as follows:

Due from Other Funds									
		Nonmajor							
				Govern	men	tal			
	(	General	M	litigation		Fire	So	lid Waste	
Due to Other Funds		Fund		Fund		Capital		Fund	 Total
Sewer Fund	\$	56,791	\$	380,000	\$	36,000	\$	150,000	\$ 622,791
	\$	56,791	\$	380,000		36,000	\$	150,000	\$ 622,791

These interfund barrowings are to eliminate a negative cash balance in the Sewer Fund due to expenses incurred for capital assets related to the wastewater treatment plant funded by grant proceeds for which reimbursement has not yet been received from the State.

Transfers during the year ended June 30, 2011 were as follows:

		Nonmajor									
			(	Governmental							
	General	Capital			TEA						
Transfers out	Fund	Projects	CDBG	Nuisance	Funding	Total					
General Fund Nonmajor Governmental Funds:			\$ 37,503	\$ 3,678		\$ 41,181					
Gas Tax					\$ 18,069	18,069					
Bricks		\$ 228			<b>4</b> 10,000	228					
CDBG	\$ 1,306	5,606				6,912					
Grant Funds		175	-	-		175					
	\$ 1,306	\$ 6,009	\$ 37,503	\$ 3,678	\$ 18,069	\$ 66,565					

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

#### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

#### NOTE D - CAPITAL ASSETS

Governmental capital assets activity for the year ended June 30, 2011 was as follows:

	Balance at July 1, 2010	Additions	Retirements	Transfers	Balance at June 30, 2011
Capital assets,	July 1, 2010	Additions	Retifements	Transicis	Julie 30, 2011
not being depreciated:					
Land	\$ 9,960	\$ 550,000			\$ 559,960
	. ,			\$ (207,444)	,
Construction in progress	244,248	207,186		\$ (207,444)	243,990
Total capital assets, not being depreciated	254,208	757,186		(207,444)	803,950
Capital assets, being depreciated:					
Buildings and improvements	2,943,440	279,053	\$ (63,173)	207,444	3,366,764
Vehicles	444,259	•	• • •	ŕ	444,259
Machinery and equipment	438,573	32,825			471,398
Furniture and fixtures	6,764				6,764
Total capital assets,					
being depreciated	3,833,036	311,878	(63,173)	207,444	4,289,185
Less accumulated depreciation for:					
Buildings and improvements	(550,415)	(90,686)	34,163		(606,938)
Vehicles	(297,819)	(29,274)	•		(327,093)
Machinery and equipment	(357,270)	(39,946)			(397,216)
Furniture and fixtures	(5,148)	(572)			(5,720)
Total accumulated depreciation	(1,210,652)	(160,478)	34,163		(1,336,967)
Capital assets being					
depreciated, net	2,622,384	151,400	(29,010)	207,444	2,952,218
GOVERNMENTAL ACTIVITIES	-				
CAPITAL ASSETS, NET	\$ 2,876,592	\$ 908,586	\$ (29,010)	<u> </u>	\$ 3,756,168

Depreciation expense for governmental capital assets was charged to functions as follows:

General governental	\$ 7,360
Public safety	56,011
Public works	24,445
Culture and recreation	2,346
Community development	 70,316
Total governmental activities depreciation expense	\$ 160,478

#### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

#### NOTE D - CAPITAL ASSETS (Continued)

Business-type capital assets activities for the year ended June 30, 2011 was as follows:

	Balance at June 30, 2010	Additions	Retirements	Transfers	Balance at June 30, 2011
Capital assets,	June 30, 2010	Additions	Remements	Transiers	Julie 30, 2011
not being depreciated:		•			
Land	\$ 134,700				\$ 134,700
Construction in progress	1,649,303	\$ 2,127,110			3,776,413
Total capital assets,	1,047,303	ψ 2,12·7,110			3,770,413
not being depreciated	1,784,003	2,127,110			3,911,113
not being depressured	1,701,003	2,127,110			3,711,113
Capital assets, being depreciated:					
Buildings and improvements	14,053,309	60,961			14,114,270
Vehicles	3,400				3,400
Machinery and equipment	411,146				411,146
Total capital assets,					
being depreciated	14,467,855	60,961			14,528,816
Less accumulated depreciation for:					
Buildings and improvements	(2,397,684)	(332,288)			(2,729,972)
Vehicles	(2,190)	(440)			(2,630)
Machinery and equipment	(186,731)	(41,240)			(227,971)
Total accumulated depreciation	(2,586,605)	(373,968)			(2,960,573)
Capital assets being					
depreciated, net	11,881,250	(313,007)			11,568,243
BUSINESS-TYPE ACTIVITIES					
CAPITAL ASSETS, NET	\$ 13,665,253	\$ 1,814,103	\$ -	\$ -	\$ 15,479,356

Depreciation expense for business-type capital assets was charged to functions as follows:

Total business-type activities depreciation expense	_\$_	373,968
Solid waste		316
Sewer	\$	373,652

#### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

#### NOTE E - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2011 was as follows:

		Balance ie 30, 2010	Д	dditions	P	ayments		Balance ne 30, 2011		ie Within ne Year
Governmental Activities:		, , , , , , , , , , , , , , , , , , , ,								
Note payable			\$	550,000			\$	550,000	\$	4,719
Legal Settlement 2011				152,683				152,683		152,683
Total notes and										
settlement payable				702,683				702,683		157,402
Compensated absences	\$	26,919		4,438				31,357		15,678
Governmental activities										
long-term liabilities	_\$_	26,919	\$	707,121	\$	-	\$	734,040	\$	173,080
Business-Type Activities:										
General obligation bonds	\$	44,000			\$	(4,000)	\$	40,000	\$	4,000
Sewer revenue bonds		39,000				(4,000)		35,000		35,000
State loan		7,357,496						7,357,496		
Legal settlement 2010		433,024				(108,256)		324,768		108,256
Legal settlement 2009		226,601						226,601		226,601
Total bonds, loan										
settlements payable		8,100,121				(116,256)		7,983,865		373,857
Postclosure landfill costs		251,930	\$	394,527		(23,487)		622,970		
Compensated absences		16,000				(3,580)		12,420		6,210
Business-type activities		0.260.051	d'	204.505		(1.40.000)	Φ.	0.610.055	Φ.	200.007
long-term liabilities	<del>\$</del>	8,368,051	\$	394,527	\$	(143,323)	\$	8,619,255	<u>\$</u>	380,067

Long-term debt of the City's governmental activities consists of the following as of June 30, 2011:

On December 8, 2010, the City entered into an agreement with the Gard Family Living Trust to purchase the Winner Chevrolet auto dealership building. The agreement provides that the City lease the property to the seller, and that the seller upgrade the existing property. The City and seller believe that the upgrades to the auto dealership will provide additional sales tax for the City. The City will pay 50% of the increase in sales tax over the base year sales amount in semi-annual payments until the property is paid in full.

\$ 550,000

On October 18, 2011, a decision was reached in arbitration between the City and the Stationery Engineers, Local 39 Health & Welfare Trust Fund (Trust Fund). The arbitrator awarded the Trust Fund \$152,683 for unpaid fringe benefit contributions, interest, liquidated damages, fees and costs. The decision is pending approval by the City.

\$ 702,683

#### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

#### NOTE E - LONG-TERM LIABILITIES (Continued)

Long-term debt of the City's business-type activities consists of the following as of June 30, 2011:

On June 1, 1978, the City issued 100 \$1,000 USDA Rural Development general obligation bonds. The interest rate applicable on these bonds is 5%. The final maturity of these bonds is June 1, 2018.	\$ 40,000
On June 1, 1978, the City issued 85 \$1,000 USDA Rural Development sewer bonds. The interest rate applicable on these bonds is 5%. The final maturity of these bonds is June 1, 2018; however, these bonds are being retired with the proceeds from the new State loan discussed below.	35,000
On November 29, 2007, the City entered into a loan agreement with State Water Resources Control Board for the Wastewater Treatment Plant Improvement Project. The funds were disbursed beginning April 2008. The loan amount is \$7,485,865, at an interest rate of 2.4%. Effective September 19, 2011, the City restructured this loan with the State in which \$12,825,600 of proceeds were received, which includes the \$36,000 to refund the City's 1978 USDA Sewer Revenue Bond, \$7,725,000 to restructure the original loan and \$5,064,600 to pay for the Pond Lining project, at an interest rate of 1%. The repayment period has been deferred until completion of the Pond Lining project, which is expected to be in 2014 or later.	7,357,496
On February 15, 2011, the United States District Court ordered the City to pay the Environmental Law Foundation \$433,024 in legal fees and interest. The payments are to be made in four equal installments, including interest at a rate of 10%.	324,768
During 2009, the City settled a legal claim for \$450,000 related to the operations of its wastewater treatment plant. The City's insurance provider, SCORE, paid the entire \$450,000; however, the City is responsible for reimbursing \$226,601 to SCORE.	226,601
	\$ 7,983,865

#### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

#### NOTE E - LONG-TERM LIABILITIES (Continued)

Principal payments on debt are due as follows:

June 30	Ol	General bligation Bonds	R	Sewer levenue Bonds	S-	Legal ettlement 2010	S	Legal ettlement 2009	Total
2012 2013 2014 2015 2016 2017-2021	\$	4,000 5,000 5,000 6,000 6,000 14,000	\$	35,000	\$	108,256 108,256 108,256	\$	226,601	\$ 373,857 113,256 113,256 6,000 6,000 14,000
Totals	\$	40,000	_\$_	35,000	\$	324,768	_\$	226,601	\$ 626,369

Interest payments on debt are due as follows:

June 30	General Obligation Bonds		Sewer Revenue Bonds		State Sett		Revenue State Se		Legal ettlement 2010	 Total
2012 2013 2014 2015 2016	\$	2,000 1,800 1,550 1,300 1,000	\$	1,750	\$	77,250 77,250 77,250 77,250 77,250	\$	32,477 21,651 10,826	\$ 113,477 100,701 89,626 78,550 78,250	
2017-2021 2022-2026 2027-2031 2032-2036		1,050 8,700	\$	1,750	386,250 386,250 386,250 386,250 \$ 1,931,250		\$	64,954	 387,300 386,250 386,250 386,250 2,006,654	

Post closure landfill cost: State and Federal laws and regulations require the City to perform certain maintenance and monitoring functions on its landfill for 30 years after closure. The City has recorded a liability for landfill closure in the Solid Waste Fund, an Enterprise Fund, in accordance with GASB 18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Costs. The City hired a private consultant to perform an analysis to determine estimated total cost of the landfill closure, postclosure care costs, total capacity and remaining life. The City's landfill closure liability, based on landfill capacity used to date, is recorded based on the information provided by the consultant's analysis. The consultant's analysis is an estimate only and is subject to change due to inflation or deflation, technology, or applicable laws and regulations. The City is currently estimating that 100% of the landfill is used and there is no remaining life. As of June 30, 2011, the remaining closure and postclosure maintenance costs to be recognized over the next 27 years is \$622,970.

#### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

#### NOTE F - FUND BALANCE

The following are the purposes for which net assets are restricted:

	Governmental Activities		ness-Type ctivities
Street projects	\$	292,294	
Economic redevelopment		183,009	
Recycling		20,632	
Fire Department		29,150	
Community projects		93,563	
Caboose restoration		2,660	
Mitigation projects		272,812	
Landfill			\$ 55,001
	\$	894,120	\$ 55,001

The following are the components of the Governmental Funds fund balances:

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:				
Nonspendable:				
Long-term receivables	\$ 44,754		\$ 56,869	\$ 101,623
Prepaid expenses			1,095	1,095
Total Nonspendable	44,754		57,964	102,718
Restricted for:				
Street projects		\$ 123,852	111,511	235,363
Economic redevelopment			183,009	183,009
Recycling			19,537	19,537
Fire Department			29,150	29,150
Community projects			5,194	5,194
Caboose restoration		2,660		2,660
Mitigation projects			384,063	384,063
Total Restricted		126,512	732,464	858,976
Unassigned	65,398	(111,251)	(11,728)	(57,581)
Total Unassigned	65,398	(111,251)	(11,728)	(57,581)
Total fund balances	\$ 110,152	\$ 15,261	\$ 778,700	\$ 904,113

#### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

#### NOTE G – DEFINED BENEFIT PENSION PLAN

Plan Description: Effective April 2008, the City began contributing to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. All permanent and part-time employees working at least 1,000 hours per year are enrolled in PERS. Under PERS, benefits vest after five years of service. Upon retirement, participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor multiplied by their highest average monthly salary over 12 consecutive months of employment. Benefit provisions and all other requirements are established by State statute. The establishment and amendment of specific benefit provisions of the Plan is authorized by resolution of the City Council. PERS requires plans with less than 100 active participants to participate in risk pools. The City participated in the Miscellaneous 2% at 60 Risk Pool. Copies of the PERS annual financial report may be obtained from their Executive Office at 400 P Street, Sacramento, CA 95814.

<u>Contributions</u>: Participants in the Plan are required to contribute 5% of their annual covered salary for union members and 7% for non-union members. The City is required to contribute to PERS at an actuarially determined rate. The rate for the year ended June 30, 2011 was 7.209% of the annual covered payroll. The contribution requirement of plan members and the City are established and may be amended by PERS. The City's contributions for the years ended June 30, 2011, 2010 and 2009 were \$20,307, \$30,486, and \$43,780, respectively, which was equal to the required contributions.

#### NOTE H - INSURANCE

The City is a member of the Small Cities Organized Risk Effort (SCORE) with other northern California cities. SCORE is a joint powers authority organized in accordance with Article 1, Chapter 5, Division 7, Title I of the California Government Fund Programs. The purpose is to create a common pool of funds to be used to meet obligations of the parties to provide workers' compensation benefits for their employees and to provide liability insurance. SCORE provides claims processing administrative services, risk management services and actuarial studies. A member from each city governs SCORE. The City of Colfax council members do not have significant oversight responsibility, since they evenly share all factors of responsibility with the other cities. The City does not retain the risk of loss. However, ultimate liability for payment of claims and insurance premiums resides with member cities. SCORE is empowered to make supplemental assessments as needed to eliminate deficit positions of member cities. If SCORE becomes insolvent, the City is responsible only to the extent of any deficiency in its equity balance. SCORE establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims settlement expenses) that have been reported but not settled, plus estimates of claims that have been incurred but not reported. Because actual claims costs depend on various factors, the claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation is implicit in the calculation of estimated future claims costs. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

#### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

#### NOTE H - INSURANCE (Continued)

The City's insurance coverage and the respective coverage providers are as follows:

Amount		t	Coverage provider	Payment Source		
LIA	BILITY CLAIMS	•				
	- \$	25,000	Self-insured	Banking layer		
\$	25,001 - \$	500,000	Small Cities Organized Risk Effort	Shared risk pool		
\$	500,001 - \$			Shared risk pool		
WO	RKERS' COMPE	NSATION:				
	- \$	25,000	Self-insured	Banking layer		
\$	25,001 - \$	150,000	Small Cities Organized Risk Effort	Shared risk pool		
\$	150,001 - \$	4,850,000	Local Agency Workers' Compensation Excess Joint Powers Authority	Shared risk pool		
\$	4,850,001 - S	tatutory Limit	California State Association of Counties Excess Workers' Compensation	Shared risk pool		

The City also carries commercial insurance for additional liability and property insurance coverage. There have been no significant reductions in insurance coverage from coverage in the prior fiscal year. Also, settlements have not exceeded the insurance coverage for the past three fiscal years. The audited financial statements of SCORE are available at SCORE's office.

#### NOTE I - COMMITMENTS AND CONTINGENCIES

The City participates in various federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors. The audits by the grantors for the year ended June 30, 2011, have not yet been conducted. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

On January 28, 2010, the Central Valley Water Board adopted Cease and Desist Order No. R5-2010-0001, which extends the compliance schedule for certain waste discharge requirements and adds a new compliance schedule for complying with final effluent limits for copper. The new Cease and Desist Order No. R5-2010-0001 requires the City to submit annual reports on May 1 of each year, to be in full compliance with certain discharge requirements as of October 1, 2012, and to be in full compliance with effluent limitations for copper as of January 1, 2014. If the City fails to comply with the provision of Order R5-2010-0001, the Central Valley Water Board may apply to the Attorney General for judicial enforcement or issue a complaint for Administrative Civil Liability.

On March 23, 2011, a tentative Administrative Civil Liability was authorized by the California Regional Water Quality Control Board Central Valley Region for violations during the period January 1, 2008 through July 31, 2010. In accordance with California Water Code 13385, the Water Board must assess minimum liabilities against the City for violations of the effluent limits found in the Water Discharge Requirement Order No. R5-2007-0130 and Cease and Desist Order No. R5-2010-0001. The total amount of the mandatory minimum penalties assessed for the cited effluent violations is \$150,000. As the City is

#### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

#### NOTE I – COMMITMENTS AND CONTINGENCIES (Continued)

classified as a "small community with financial hardship" the Water Code allows the penalties to be applied to a compliance project which is designed to prevent future violations. The City proposed that its penalties be applied to three different compliance projects. Prosecution staff concurred and circulated a draft of the Administrative Civil Liability for public comment. Two environmental groups objected to the compliance project and the advisory team determined that the matter would need to be heard by the Water Quality Control Board at its hearing on scheduled for November 30 through December 2, 2011. The prosecution team is proposing an order that would allow the City to apply \$138,000 of the mandatory minimum penalties toward the three compliance projects with the remaining \$12,000 to be paid to the State Water Resources Control Board's Cleanup and Abatement Account. Also, the prosecution team is proposing that the Water Board adopt a new Cease and Desist Order to address continued rehabilitation of the sewer collection system, compliance with the requirement to hold all wastewater and precipitation generated during a 100-year annual storm event, installation of a liner in Pond three, temporary action to allow de-watering of Pond three, and an updated interim copper effluent limit and an interim daily average flow limit.

The City has obtained the funding needed to line reservoir pond number three. The City estimates total costs for the project to be \$6,638,000, and anticipates funding from a combination of Federal and State loans and grants.

The City is party to various claims, legal actions and complaints that arise in the normal operation of business. Management and the City's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the City.

The City had the following construction project commitments at June 30, 2011:

Project Name	Total Project Costs			Unexpended Amount	
Dinky Avenue Railroad Crossing Closure	\$	102,935	\$	51,590	

#### NOTE J - PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA

Under the provisions of Proposition 1A and as part of the 2009/10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The State is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Colfax was \$44,754.

The borrowing by the State of California was recognized as a receivable in the accompanying financial statements. Under the modified accrual basis of accounting, the borrowed tax revenues are not permitted to be recognized as revenue in the governmental fund financial statements until the tax revenues are received from the State of California (expected to be fiscal year 2012/13). In the government-wide financial statements, the tax revenues were recognized in the fiscal year for which they were levied (fiscal year 2009/10).

#### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

#### NOTE K - GOING CONCERN

For the last several years, the City has struggled with escalating costs associated with the construction and operation of a new wastewater treatment plant, including legal settlements and related legal costs. The City was required to construct and initiate operation of a new wastewater treatment plant to comply with a Central Valley Water Board Order, for which the City has borrowed \$7,357,496 from the State of California Water Resources Control Board. In order to comply with another Order, the City has begun work to line wastewater pond number three. The City estimates the total costs for the project to be \$6,638,000. The City has obtained funding to line reservoir pond number three, which includes restructuring the existing loan with the State for the wastewater treatment plant. The new loan totals \$12,825,600, with an interest rate of 1% and no administrative charge. If the City complies with the Project Finance agreement, the State will forgive \$3,319,000 of the loan. Repayment of principal on the loan is not required until completion of the project, but interest payments will be required.

The City continues to experience cash flow shortages within the Sewer Enterprise Fund and the General Fund continues to operate with minimal reserves, which is reflected by an unassigned fund balance in the General Fund of \$65,398. In addition, the budget adopted for fiscal year 2011/12 projects a negative fund balance for the General Fund of \$19,608. This deficit does not include the \$152,683 settlement owed by the City, as described in Note E, which will have a significant impact on the City's General Fund. The Sewer Enterprise Fund, as of June 30, 2011, required an interfund loan primarily from the Special Revenue Funds and Solid Waste Fund of \$622,791 to cover negative cash balance due to expenditures being incurred for which reimbursement from the State has not yet been received. Repayment of the loan for the wastewater facilities has been deferred until completion of the pond three liner, which will improve cash flow, and the rate increases that went into effect in 2008 will be used to repay this debt.

## COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS

# COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

June 30, 2011

								Special Revenue					
	F	Bricks	En	port Law forcement 'rogram		CDBG		nsportation & Road Fund	Transportation Impact				
ASSETS:													
Cash and cash equivalents Accounts receivable Due from other	\$	5,190	\$	13,446	\$	183,396	\$	15,279	\$	61,136			
governmental agencies				11,316		31,500							
Interest receivable Notes receivable Prepaid expenses		4		3		172 56,869		23		49			
Due from other funds													
Total assets	_\$	5,194	\$	24,765	_\$_	271,937	\$	15,302		61,185			
LIABILITIES AND FUND BALANCE:													
Liabilities:													
Accounts payable Accrued expenses			\$	25,177	\$	559	\$	1,649 2,349					
Deferred revenue				11,316		31,500							
Total liabilities				36,493		32,059	3,998						
Fund balance:				-									
Nonspendable						56,869							
Restricted Unassigned	\$	5,194		(11,728)		183,009		11,304	\$	61,185			
Total fund balance		5,194		(11,728)		239,878		11,304		61,185			
Total liabilities and fund balance	\$	5,194	_\$_	24,765	\$	271,937	_\$_	15,302	\$	61,185			

Gas Tax		litigation Funds		everage ecycling		Oil Grant		Fire Capital	Total Nonmajor Governmental Funds			
\$ 39,082	\$	3,757	\$	18,819	\$	702	\$	526	\$	341,333		
20		*04						4,807		47,623		
39		306		15		1		29		641 56,869		
						1,095				1,095		
 		380,000						36,000		416,000		
\$ 39,121	_\$_	384,063	_\$	18,834		1,798	\$	41,362	\$	863,561		
\$ 99					٠		\$	12,212	\$	39,696 2,349		
										42,816		
 99								12,212		84,861		
					\$	1,095				57,964		
39,022	\$	384,063	\$	18,834	Φ	703		29,150		732,464		
57,0 <b>-2</b>	*	001,000	<b>*</b>					->,		(11,728)		
 39,022		384,063		18,834		1,798		29,150		778,700		
\$ 39,121	\$	384,063	\$	18,834	\$	1,798	_\$	41,362	_\$_	863,561		

# COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NONMAJOR GOVERNMENTAL FUNDS

June 30, 2011

REVENUES:	Support Law Enforcement Bricks Program C					CDBG Nuisance		8	sportation & Road Fund	TEA Funding		
Tax revenues Licenses, fees and permits Intergovernmental revenues Use of money and property Other revenue	\$	18	\$	88,711 66	\$	3,500 866			\$	1,242 85,145 168 818		
Total revenues		18		88,777		4,366				87,373		
EXPENDITURES: General government Public safety Public works Community development Capital outlay Total expenditures		16		100,710		79,877 79,877	\$	3,816		128,742		
Excess (deficiency) of revenues over (under) expenditures		2		(11,933)		(75,511)		(3,816)		(41,369)		
OTHER FINANCING SOURCES (USES): Transfers in Transfers out		(228)				37,503 (6,912)		3,678			\$	18,069
Total other financing sources (uses)		(228)				30,591		3,678				18,069
Net change in fund balance Fund balances -		(226)		(11,933)		(44,920)		(138)		(41,369)		18,069
beginning of year		5,420		205		284,798		138		52,673		(18,069)
Fund balances - end of year	\$	5,194	\$	(11,728)	\$	239,878	\$	_	\$	11,304	\$	-

Spe	cial Revenu	ie_									w	<u></u>		N	Total Ionmajor	
Transportation Impact		Gas Tax		Mitigation Funds		Beverage Recycling		Oil Grant		Grant Funds		Fire Capital		Governmental Funds		
		\$ 48,818													\$	48,818 1,242
\$	215		114	\$	1,352	\$	66	\$	5,000 4	\$	1	\$	2,209 181		184,565 3,051	
	215		48,932		1,352		66		5,004		1		2,390		818 238,494	
											231		231			
		21,433						3,986					100,710 150,175 87,695			
			21,433						3,986		231		32,825 32,825		32,825 371,636	
	215		27,499		1,352		66		1,018		(230)		(30,435)		(133,142)	
			(18,069)								(175)				59,250 (25,384)	
			(18,069)								(175)				33,866	
	215		9,430		1,352		66		1,018		(405)		(30,435)		(99,276)	
	60,970	·····	29,592		382,711		18,768		780		405		59,585		877,976	
\$	61,185	\$	39,022	\$	384,063	\$	18,834	\$	1,798	\$	-	\$	29,150	\$	778,700	

COMPLIANCE REPORTS

June 30, 2011

#### COMPLIANCE REPORTS

June 30, 2011

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## Richardson & Company

550 Howe Avenue, Suite 210 Sacramento, California 95825 Telephone: (916) 564-8727 FAX: (916) 564-8728

# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCEAND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMEDIN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

City Council
City of Colfax, California
Colfax, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Colfax, California (the City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

To the City Council City of Colfax, California

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain other matters that we reported to management of the City in a separate letter dated January 26, 2012.

This report is intended solely for the information and use of the City Council, management, and the federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Richardson & Company

January 26, 2012

## Richardson & Company

550 Howe Avenue, Suite 210 Sacramento, California 95825 Telephone: (916) 564-8727 FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFECT ON EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE AND SCHEDULE OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

City Council
City of Colfax, California
Colfax, California

#### Compliance

We have audited the City of Colfax, California's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

#### Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

To the City Council City of Colfax, California

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2011, and have issued our report thereon dated January 26, 2012 which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the City Council, management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Richardson & Company

January 26, 2012

#### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

#### A. SUMMARY OF AUDITOR'S RESULTS

Financ	rial	Statements
I HIAIN	JIAI	Statements

1. Type of auditor's report issued:	Unqualified	
<ul><li>2. Internal controls over financial reporting:</li><li>a. Material weaknesses identified?</li><li>b. Significant deficiencies identified not</li></ul>	No	
considered to be material weaknesses?  3. Noncompliance material to financial statements	No No	
Federal Awards	110	

1. Internal control over major programs:

a. Material weaknesses identified?

b. Significant deficiencies identified not considered to be material weaknesses?

No

2. Type of auditor's report issued on compliance

for major programs:

Unqualified

3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)?

No

4. Identification of major programs:

#### CFDA Number

Name of Federal Program

66.458

Capitalization Grants for Clean Water State Revolving Funds - ARRA

5. Dollar Threshold used to distinguish between

Type A and Type B programs?

\$300,000

6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?

No

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT None

#### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

#### D. PRIOR YEAR AUDIT FINDINGS

#### Finding 2008/09-1

<u>Criteria</u>: Internal controls over financial reporting should be in place to ensure the City has the ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

<u>Condition</u>: We noted the following areas where accounts and transactions were not adequately reconciled and evaluated for proper recording prior to the start of the audit fieldwork and areas that require improvement included the following:

- An adjustment was needed to accrue unpaid interest on the State loan as of June 30, 2010. The
  City should evaluate all outstanding debt and the date the last interest payment was made, and
  accrue interest from the last payment date through June 30.
- We noted grant revenue was not accrued for grant-reimbursable expenditures through June 30, 2010. The City needs to develop procedures to ensure revenue is accrued to the extent of reimbursable expenditures incurred.
- The amount of unpaid retention on the construction contract was not accrued as of June 30, 2010. Even though the amount is paid into an escrow account, it should still be recorded as a liability. The City needs to ensure that when invoice containing retentions are recorded, that the corresponding liability is recorded to reflect the portion of the invoice that represents the retention.
- Under the modified accrual basis of accounting, revenues not expected to be received within the City's availability period, which is defined by the City as 60 days after, are to be deferred. The City needs to evaluate as part of its closing process whether revenues accrued should be deferred.

Cause: The City had not identified all of the accrual adjustments needed as of June 30, 2010.

**Recommendation**: To ensure that these items are addressed in the closing process, we recommend that a closing process checklist be developed that includes these items to ensure that these issues are resolved before the beginning of audit fieldwork.

<u>Status</u>: The City has developed a detailed accounting checklist for all closing activities to ensure monthly, quarterly and annual activities are resolved before the beginning of audit fieldwork.

#### Finding 2009/10-2

Condition: The City has a significant interfund borrowing in the form of due to other funds to eliminate the negative cash balance in the Sewer Fund totaling \$780,306. The Sewer Fund has not demonstrated the ability to repay this interfund borrowing within the subsequent fiscal year due to insufficient revenue sources to pay for expenditures incurred for the Waste Water Treatment Plant project. This significant interfund liability needs to be taken into consideration in determining the overall financial health of the City, especially since a large amount of the City's Funds that are loaning the cash contain restricted funds that are required to be used for specific purposes and cannot be liquidated to pay the deficits of the Sewer Fund. The primary funds loaning the money are the Mitigation Funds and the Street Improvements Fund.

#### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

#### Finding 2009/10-2 (Continued)

<u>Cause</u>: Insufficient revenue sources to pay for expenditures incurred for the Waste Water Treatment Plant Project.

**Recommendation**: We recommend that the City establish a plan to eliminate the need for the Sewer Fund to continue using financing in the form of interfund borrowings.

<u>Status</u>: Because of the restructuring of a State loan to fund the Waste Water Treatment Plan Project that defers principal repayments on the loan, the interfund borrowings by the Sewer Fund are not expected to exceed one year from the balance sheet date.

#### Finding 2009/10-3

*Grant Program*: Environmental Protection Agency Capitalization Grant for Clean Water State Revolving Fund CFDA 66.458, passed through State of California Water Resources Control Board.

Compliance Requirement: Reporting

**Requirement**: Each Clean Water State Revolving Fund (CWSRD) Program sub-recipient are required to provide total payroll dollars associated with the hours funded by CWSRF quarterly in accordance with the American Recovery and Reinvestment Act of 2009.

<u>Condition</u>: American Recovery and Reinvestment Act quarterly report for the Clean Water State Revolving Fund Program as of June 30, 2010 did not represent accurate payroll dollars associated with the hours funded by CWSRF. We noted the following discrepancy in our review of a sample of reports for the fiscal year ending June 30, 2010.

• The American Recovery and Reinvestment Act Report for the period of April 1, 2010 to June 30, 2010 related to the City's Capitalization Grant for Clean Water State Revolving Fund reported total payroll dollars associated with hours funded by CWSRF in the amount of \$323,701.67. Actual total payroll dollars associated with hours funded by CWSRF amounted to \$232,701.67.

#### **Questioned Costs:** None

**Effect**: Incorrect payroll dollars associated with hours funded by CWSRF were reported to the State of California Water Resources Control Board.

**Recommendation**: It appears that the error is a typographical in nature and an isolated incident and that data supporting the report is accurate. However, we recommend that the City establish procedures to ensure that data used as a basis for the preparing the reports is reviewed before report submission to the State of California Water Resources Control Board.

<u>Status</u>: The City has updated its review procedures prior to submitting required reports. We noted no additional errors during our audit for the year ended June 30, 2011.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### For the Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantors' Number	Expenditures
MAJOR FEDERAL AWARDS:			
U.S. Environmental Protection Agency Passes-through the State of California Water Resources Control Board Capitalization Grant for State Revolving Funds - ARRA Sewer Lift Station Upgrades TOTAL MAJOR FEDERAL AWARDS	66.458	09-317-550	\$ 2,084,625 2,084,625
NON-MAJOR FEDERAL AWARDS:			
U.S. Department of Housing and Urban Development Passed-through the State of California Department of Housing and Community Development Community Development Block Grant Program Income	14.228 14.228	09-PTAE-6318	31,500 71,222 102,722
U. S. Department of Transportation  Passed-through the State of California, Business,  Transportation and Housing Agencey			
Dinky Way and Union Pacific Railroad Tracks	20.205	STPLR-7500(118)	113,548
U.S. Environmental Protection Agency Waste Water Treatment Plant Improvement Project	66.202	XP-96966701-2	41,565
TOTAL NON-MAJOR FEDERAL AWARDS			257,835
			\$ 2,342,460

#### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2011

#### NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Colfax, California and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

## Richardson & Company

550 Howe Avenue, Suite 210 Sacramento, California 95825

Telephone: (916) 564-8727 FAX: (916) 564-8728

City Council City of Colfax Colfax, California

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Colfax (the City) for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

During our audit, we became aware of the following matters that warrant your attention.

#### Internal Control and Policies

We noted that the City does not have a formal ethics or whistleblower policy. We recommend that the City develop and implement a formal ethics and whistleblower policy and include it as part of the City's personnel policy.

We noted that there is not a formal process of documenting the review of each employee's pay rate. Employees pay should be reviewed by the City Manager to ensure they are paid the correct amounts. We recommend the implementation of "employee action forms" where pay changes are documented and reviewed by the City Manager for reasonableness.

We noted there were two timesheets that were missing the supervisor's signature. We recommend that each employee's timesheet be reviewed and documented with a signature by a supervisor.

City Council City of Colfax Page 2

While we noted that utility billing adjustments are being reviewed by the Finance Director, this review is not being documented. We recommend that the Finance Director initial the billing adjustment report to document this review.

#### Risk Assessment Plan

We noted that the City does not have a formal risk assessment plan to identify those risks within the City that could result in fraud or material misstatement of the financial statements, and then to implement internal controls to mitigate those identified risks. We recommend the City develop a risk assessment plan to identify potential risk areas and then ensure controls or processes are in place to mitigate those risks. This risk assessment should be performed on a periodic basis. In addition, a Committee of the City Council, serving as the Audit Committee, should be involved in this risk assessment process as well.

#### **Donated Land**

Government Accounting Standards Board (GASB) No. 34 requires that contributed land and other capital assets be recorded at their estimated fair market value as of the date the asset was donated. We noted the City has several properties it owns that were donated but no value has been assigned to these assets. We recommend that the City estimate the fair value as of the date of donation and reflect this amount on the government-wide statement of net assets.

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us during the course of the audit. This report is intended solely for the information and use of the City Council, management, and others within the organization and does not affect our report dated January 26, 2012 on the financial statements of the City.

Richardson & Company

January 26, 2012

## Richardson & Company

550 Howe Avenue, Suite 210 Sacramento, California 95825

Telephone: (916) 564-8727 FAX: (916) 564-8728

## INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES APPLIED TO APPROPRIATIONS LIMIT TESTING

City Council City of Colfax Colfax, California

We have applied the procedures enumerated below to the accompanying calculation of the Appropriation Limit of the City of Colfax for the year ended June 30, 2011. These procedures, which were agreed to by the City of Colfax and the League of California Cities (as presented in the League publication entitled Article XIIIB Appropriations Limitation Uniform Guidelines) were performed solely to assist the City of Colfax in meeting the requirements of Section 1.5 of Article XIIIB of the California Constitution.

This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the City's calculation of the 2010/2011 appropriations limit and compared the limit and annual adjustment factors included in the calculation to the limit and annual adjustment factors that were adopted by resolution of the City Council.

Finding: No exceptions were noted as a result of our procedures.

2. We compared the methodology used to determine the cost of living adjustment component to Article XIIIB which states that the City may annually adjust the component for either the change in California per capita personal income or, the percentage change in the City's assessed valuation which is attributable to non-residential new construction. We recalculated the factor based on the above information.

Finding: No exceptions were noted as a result of our procedures.

3. We compared the methodology used to determine the population adjustment component to Article XIIIB which states that the City may annually choose to adjust the component for either the change in population in the County in which the City is located, or the change in population within the unincorporated area of the County in which the City is located. We recalculated the factor based on the above information.

Finding: No exceptions were noted as a result of our procedures.

4. We compared the prior year appropriations limit presented in the accompanying Appropriations Limit Calculation to the prior year appropriations limit adopted by the City Council for the prior year.

Finding: We noted that the City used a recalculated 2009/2010 appropriation limit instead of the one adopted by the City Council, resulting in an appropriation limit that is \$7,334 lower.

5. We recalculated the 2010/2011 Appropriation Limit by multiplying the product of the two above factors by the 2009/2010 appropriation limit.

Finding: No exceptions were noted as a result of our procedures.

6. We compared the City's actual revenues to the computed appropriation limit for fiscal year 2010/2011.

Finding: For the 2010/2011 fiscal year, the City's actual revenues subject to the appropriations limit did not exceed the appropriation limit adopted by resolution of the City Council.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit calculation. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by the League publication entitled Article XIIIB Appropriations Limitation Uniform Guidelines.

This report is intended solely for the use of the City of Colfax and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Richardson & Company

January 26, 2012

#### APPENDIX A

### CITY OF COLFAX APPROPRIATION LIMIT CALCULATION Year Ended June 30, 2011

## APPROPRIATION LIMIT ADOPTED BY CITY:

Variance

Recorded in Final 2010/2011 Budget		
APPROPRIATION LIMIT COMPUTATION PER REVIEW:		
2010/2011 Appropriation Limit	\$ 1,659,165	
Cost of living factor:  Change in California per capita income	0.9746	
Population Adjustment Factor: Population change in City of Colfax	1.0567	
Auditor computed limitation		1,708,707

\$ 7,334

## Richardson & Company

550 Howe Avenue, Suite 210 Sacramento, California 95825

Telephone: (916) 564-8727 FAX: (916) 564-8728

January 26, 2012

To the City Council City of Colfax Colfax, California

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Colfax, California (the City), for the year ended June 30, 2011, and have issued our report thereon dated January 26, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planning scope and timing of our audit. We have communicated such information in our letter to you dated July 12, 2011. Professional standards also require that we communicate to you the following information related to our audit.

#### Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated July 12, 2011, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit provides a reasonable

basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements.

#### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note A to the financial statements. No new accounting policies were adopted, except for the implementation of Governmental Accounting Standards Board No. 54 related to the classifications of fund balance among the categories of restricted, committed, assigned and unassigned. The application of existing policies were not changed during the year ended June 30, 2011.

We noted no transaction entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statement prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were determining the depreciable lives and methods used for capital assets.

The audit opinion contains an emphasis of a matter, referring to the doubt about the City's ability to continue as a going concern. As described in Note K to the financial statements, the going concern issue is primarily related to the operation of the wastewater treatment plant, including a legal settlement and related legal costs, and reduced General Fund revenue.

#### Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Adjustments included two entries needed to correct balances of accounts and transactions, including reclassifying fund balance amounts in accordance with GASB 54 and recognizing grant revenue in the Sewer Fund that was deferred. The attached schedule summarizes an uncorrected misstatement of the financial statements. Management has determined that its effect is immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated January 26, 2012.

#### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Richardson & Company



# REPORT TO COLFAX CITY COUNCIL

Agenda Item No.

9 A

## COUNCIL MEETING OF February 22, 2012

To: Honorable Mayor and Members of the City Council, Sitting as the Planning

Commission

From: Brigit S. Barnes, Planning Director and Land Use Attorney

Date: February 15, 2012

Subject: Public Hearing and Consideration of Adoption of Resolution No. 03-2012: A

Resolution Of The Planning Commission Of The City Of Colfax Approving An Application (#DR/SPR-02-11) For Design Review and Site Plan Review for the

McDonalds Remodel Project

Recommended Action: Conduct Public Hearing, Consider Public and Staff Comments and Adopt Resolution No. 03-2012

## \*\*NOTE: THIS IS A SUPPLEMENTAL REPORT TO THE CITY COUNCIL. IT SHOULD BE READ IN CONJUNCTION WITH THE ORIGINAL REPORT DATED JANUARY 18, 2012.

This project was originally scheduled for hearing on January 25, 2012. However, prior to the hearing, the applicant requested that the hearing be continued in order to respond to a concern that was raised over the design of the building, specifically that the design is too modern for Colfax. The question was posed whether there was any way the applicant's architect could retain the more traditional McDonalds look of the current building.

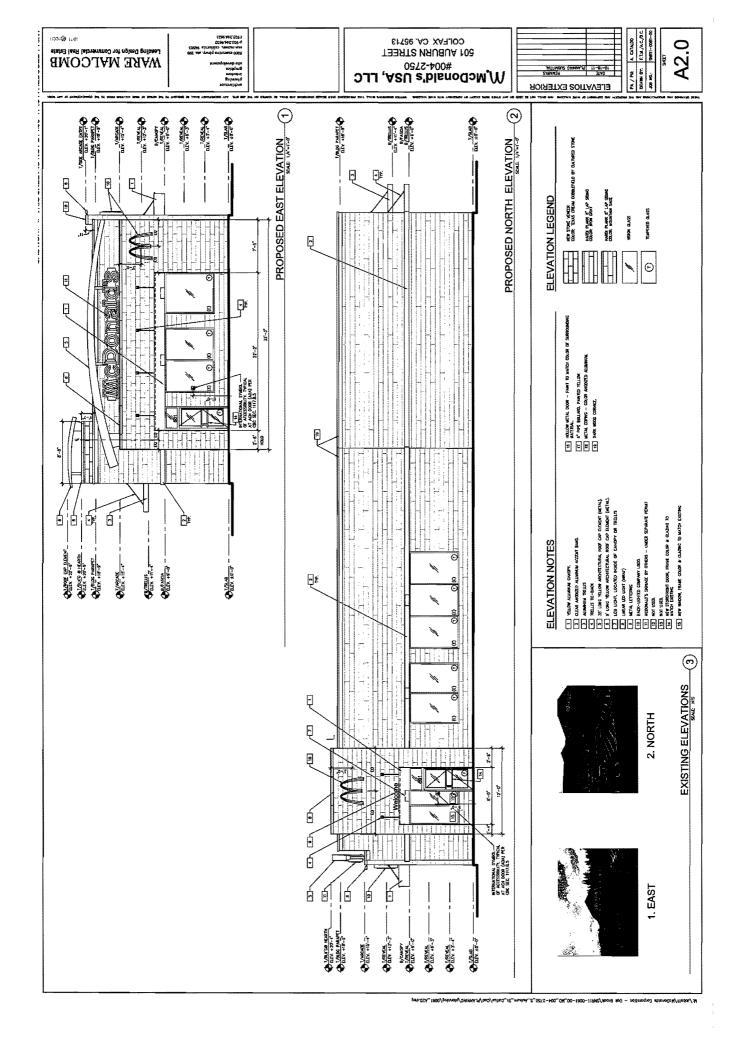
The applicant has submitted an alternative design (attached) in an attempt to respond to these concerns. Although the actual physical design of the building would not change, the alternative design features the following changes:

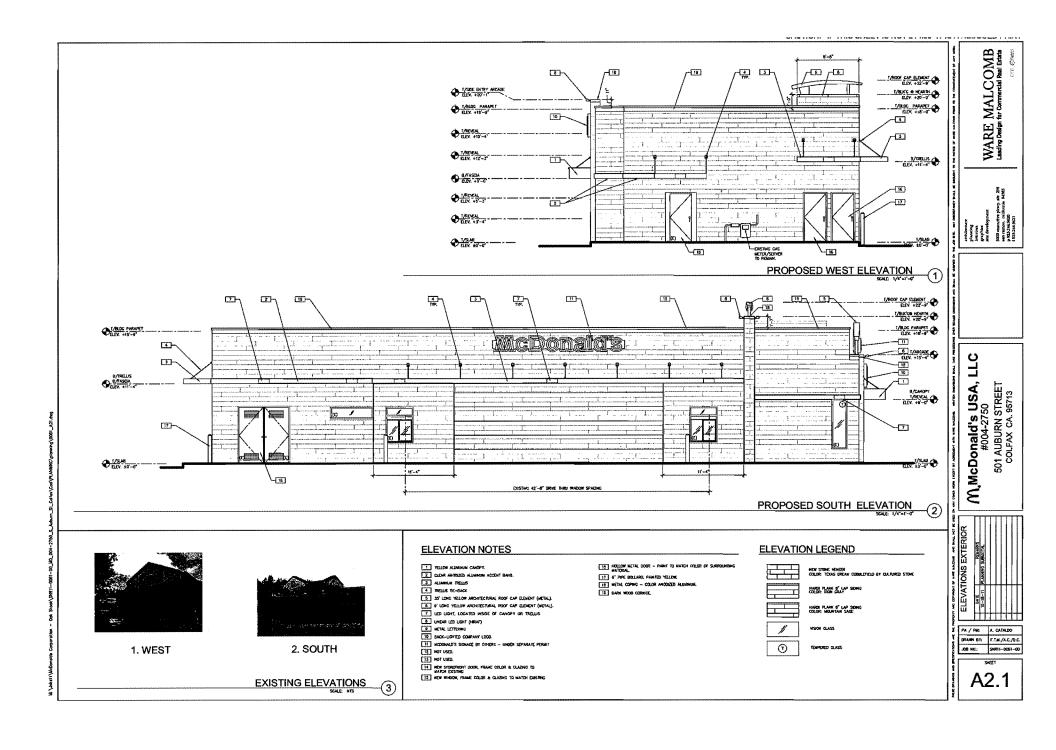
- 1. Replace the large aluminum parapet around the top of the building with a dark wood cornice;
- 2. Replace the stucco body of the building with Hardi 8" plank lap siding (colors: mountain sage and iron gray); and
- 3. The arcade (the highest point of the building) will be covered in a cultured stone veneer (color: texas cream).

This Council can consider either the original design or the recent alternative submitted by the applicant. If Council considers the alternative design, proposed Conditions of Approval #6.b., d., e. and f. should be changed to reflect the new materials/colors set forth above.

#### Attachments:

1 - Revised Color Elevations







# REPORT TO COLFAX CITY COUNCIL

Agenda Item No.

## COUNCIL MEETING OF JANUARY 25, 2012

To: Honorable Mayor and Members of the City Council, Sitting as the Planning

Commission

From: Brigit'S Barnes, Planning Director and Land Use Attorney

Date: January 18, 2012

Subject: Public Hearing and Consideration of Adoption of Resolution No. 03-2012-A

Resolution Of The Planning Commission Of The City Of Colfax Approving An Application (#DR/SPR-02-11) For Design Review and Site Plan Review for the

McDonalds Remodel Project

Recommended Action: Conduct Public Hearing, Consider Public and Staff Comments and Adopt Resolution No. 03-2012

**SURROUNDING LAND USES AND SETTING:** 501 South Auburn Street, Assessor's Parcel No. 100-240-012, City of Colfax, Placer County, California. The project site is surrounded by commercial retail businesses to the East, West and South and a vacant lot to the North.

#### PROJECT SUMMARY:

Applicant (s): Ware Malcomb

Owner: McDonalds USA, LLC

Project Location: 501 S. Auburn St., Colfax, CA Land Use (existing): Existing Fast Food Restaurant

Assessor's Parcel No: 100-240-012

Zoning District: Highway Commercial

GP Designation: Commercial

**PUBLIC NOTICE:** This meeting has been noticed in accordance with the requirements

of California Planning and Zoning Law, Title 7, Chapter 65000,

Government Code, as amended.

#### PROJECT DESCRIPTION:

The project is the remodel of an existing fast-food restaurant in a Commercial Highway (CH) zone district. The proposed scope of work for the project is comprised of exterior work and a small amount of site work. The exterior scope includes demolition of existing mansard roofs, siding, stone wainscot, and aluminum storefronts to facilitate the transformation of the building façade into a more contemporary architectural style. Parapet walls will replace the mansard roofs, and exterior walls will be finished in integral color stucco in earth tones. Accent walls, or 'arcades', will also be provided at the west and south elevations to highlight the two entrances to the restaurant. The arcades will also be finished in stucco and will feature aluminum reveals. Prefinished metal canopies will be provided at all elevations and a metal roof cap will be provided at the west elevation. All existing wall signage will be replaced with new, energy efficient and slightly smaller signage. The site scope of work will consist of reducing the size of the existing trellis at the east elevation and enlarging the drive-thru island, which will be landscaped with similar existing landscaping at the current island. All existing paving and landscape will remain as is. Lastly, all existing menu boards, directional signage and other existing signage will remain. Proposed operational scope of work consists of changing the drive-thru to 24-hour service (current hours of operation are 5:00 a.m. to 12:00 a.m.).

#### PROJECT ANALYSIS:

Design Review for this project is appropriate because it is located in the Commercial Highway District and it is a remodel that will affect 20% of the exterior façade of an existing structure per Chapter 17.96.030 of the City's Zoning Code. The Commission shall recommend approval of the project when all of the following findings are made: (1) The project will maintain the small town character that makes Colfax a desirable place to live; (2) The project will maintain and enhance the City's character and visual appearance in order to create a quality future community; and (3) The project will maintain and enhance the historic resources, qualities and character of the City of Colfax.

### Exterior Building Improvements

The applicant proposes to make the following architectural improvements to the existing building, as shown on the attached Color Building Elevations (Attachment No. 1):

- a. Demolition of existing mansard roofs, siding, stone wainscot, and aluminum storefronts.
- b. Parapet walls to replace the mansard roofs, and exterior walls to be finished in integral color stucco in earth tones.
- c. Accent walls, or 'arcades', to be provided at the west and south elevations to highlight the two entrances to the restaurant.
- d. Arcades to be finished in stucco and feature aluminum reveals.
- e. Wall colors/materials to consist of Benjamin Moore #2122-70 "Snow White" or equivalent (smooth finish stucco), #2175 "Aztec Brick" or equivalent (textured

- finish stucco) and #2173-10 "Earthly Russet" or equivalent (textured finish stucco).
- f. Ornamental extruded parapet to be provided at all elevations (color: Aluminum by Kynar or equivalent).
- g. Clear anodized aluminum accent band to be provided at all elevations.
- h. Aluminum trellis to be provided at west and south elevations.
- i. Back-lighted company logo ("M") to be provided on east and north elevations.
- j. Yellow aluminum canopy to be provided at east and north elevations.
- k. Yellow, metal architectural roof caps to be provided at the east and west elevations.
- 1. New window, frame color and glazing to match existing.
- m. New storefront door, frame color and glazing to match existing.
- n. Hollow metal doors painted to match color of surrounding material to be provided at west and south elevations.
- o. LED light located inside of canopy or trellis to be provided at north and south elevations.
- p. Linear red light (HIRAF) to be provided at all elevations.
- q. Yellow bollard to be provided on west elevation.
- r. Metal lettering ("Welcome") to be provided at north elevation.
- s. Existing "McDonalds" sign on east elevation to remain as is.

### Design Review Comments

One comment was received by Josh Alpine late in the day on January 16, 2012 regarding the proposed design. Councilman Alpine questioned whether the design was a little too modern for Colfax when the City's stated policy is to encourage businesses to retain the more historic character of Colfax. Conversations with staff confirmed that incorporation of a reduced trellis and use of the overtly metal architectural details were the primary design concern, and Councilman Alpine questioned whether there was any way the applicant's architect could retain the more traditional McDonalds look of the current building.

#### Parking Lot and Drive-thru Landscaping

The applicant proposes the following site/landscape improvements, as shown on the attached Site Plan and Landscape Elevations (Attachment No. 2):

- a. Reduce the size of the existing trellis (by 50%) at the east elevation.
- b. Lengthen the drive-thru island (approximately doubling the length) and install landscaping similar to the existing landscaping at the current island.
- c. All existing paving and landscape to remain as is.
- d. A bike rack is to be installed at the east elevation.

Shrubs (5 gallon) and perennials (1 gallon) include: Coleonema pul. "Sunset Gold" (Breath of Heaven), Rhaphiolepis "Jack Evans" (Indian Hawthorn), Agapanthus "Midnight Blue" (Lily of

the Nile) and Tulvaghia Violacea "Variegata" (Social Garlic). Groundcover (2 gallon) type is Rosa "Carpet White" (White Carpet Rose).

Per the City's Design Guidelines, landscaping will be maintained by the current owner and any and all subsequent owners of the subject property for a minimum period of three (3) years after installation. The applicant will be required to make a deposit with the City to guarantee the proper care, treatment and maintenance of landscaping for the three (3) year period.

As mentioned above, the reduction of the trellis is a matter of concern.

#### Signage Issues

All existing wall signage will be replaced with new, energy efficient and slightly smaller signage. Existing menu boards, directional signage and other non-wall signage will remain the same. There will be no increase in the square footage of the signage. In fact, the applicant has estimated that current sign area is 114.3 square feet and the new sign area will be 101.60 for a **net reduction of** 12.7 square feet. The brightness of the illuminated signs will remain the same.

A review of the planning files regarding the original McDonalds project shows that the applicant applied for a variance for the existing freestanding, on-site pole sign to exceed the height restriction so that it could be seen from I-80. After the variance was approved, the applicant went forward with the application for the restaurant use via the Design Review/Site Plan Review process. When the Commission approved the McDonalds Design Review/Site Plan project on August 19, 1999, one of the Conditions of Approval (No. 7) stated that "The owner/franchisee/operator of the restaurant shall turn off the interior light in the freestanding sign at 10:00 p.m." In order for the proposed 24-hour drive-thru to attract customers, the Commission would need to amend this condition to read that the freestanding sign may continue to be lit for 24-hours. The proposed amended condition has been included in the Conditions of Approval (Attachment No. 3).

#### Parking Issues

The applicant has met its requirement to provide a minimum of 54 parking stalls, including 3 handicapped parking spaces which meet the Americans with Disabilities Act standards.

#### Other City Departmental Review

The City Engineer reviewed the project plans and determined that there were no improvements that warranted comments from City Engineering because all of the improvements appear to be onsite and within the purview of the Building and Planning Departments. Building and Fire Department issues will be addressed during the Building Permit/Tentative Improvement Plan Check process.

#### Plan Review By Interested Outside Agencies

The proposed plans were submitted to all interested outside agencies. One comment was received:

Placer County Water Agency's Comments -

"Water is currently served to the property by an existing I-inch meter for domestic use connected to the Agency's treated water main extension from Whitcomb Avenue. The Water Connection Charges paid for the I-inch domestic service reserves an average peak daily demand of 2,875 gallons per day. Based on the Agency's billing records, the averaged peak daily usage recorded through this meter is approximately 4.5 times this amount. In order for the Agency to continue to provide excess water through this service the Applicant may be required to upsize their existing water service and must pay the applicable fees and Water Connection Charges for the commitment required to serve the existing needs of the property. The Applicant can contact the Customer Services Department at (530) 823-4850 for the required forms and fees."

The above-referenced requirement has been incorporated into the project's Conditions of Approval (Attachment No. 3).

#### **ENVIRONMENTAL ANALYSIS:**

The proposed remodel work will not result in any significant effects to the environment. Expanding the drive-thru hours of operation from what they are currently (5:00 a.m. to 12:00 a.m.) to 24-hours will not result in a substantial increase in traffic, air quality, noise, lighting or demand on public utilities and services. The project site is surrounded by Commercial Retail businesses to the East, West and South and a vacant lot to the North. There are no residential uses adjacent to the project.

As such, the project qualifies for a CEQA Exemption pursuant to California Code of Regulations Chapter 3 (CEQA Guidelines), Article 19 (Categorical Exemptions), Section 15332 (In-fill Development) based on the following: (a) The project is consistent with the applicable general plan designation and all applicable general plan policies as well as with applicable zoning designation and regulations; (b) the proposed development occurs within city limits on a project site of no more than five acres substantially surrounded by urban uses; (c) the project site has no value, as habitat for endangered, rare or threatened species; (d) approval of the project would not result in any significant effects relating to traffic, noise, air quality, or water quality; and (e) the site can be adequately served by all required utilities and public services.

#### **DESIGN REVIEW FINDINGS:**

Councilman Alpine specifically questioned whether the project's proposed exterior design supports the findings set forth below. Staff has advised the applicant that these concerns have been raised, and suggested that the Applicant bring preliminary schedules of alternative designs

to the Hearing to allow for Commission comment. Staff recommends the Commission review the design to determine whether it believes that the proposed design supports these findings. Per Chapter 17.96.030 of the City's Zoning Code, if the Commission can make the following findings with regard to Design Review and Site Pan Review Application (#DR/SPR-02-11), it shall approve the McDonalds Remodel Project:

- 1. The project, as conditioned, will maintain the small town character that makes Colfax a desirable place to live.
- 2. The project, as conditioned, will maintain and enhance the City's character and visual appearance in order to create a quality future community.
- 3. The project, as conditioned, will maintain and enhance the historic resources, qualities and character of the City of Colfax.

#### **RECOMMENDED FINDINGS:**

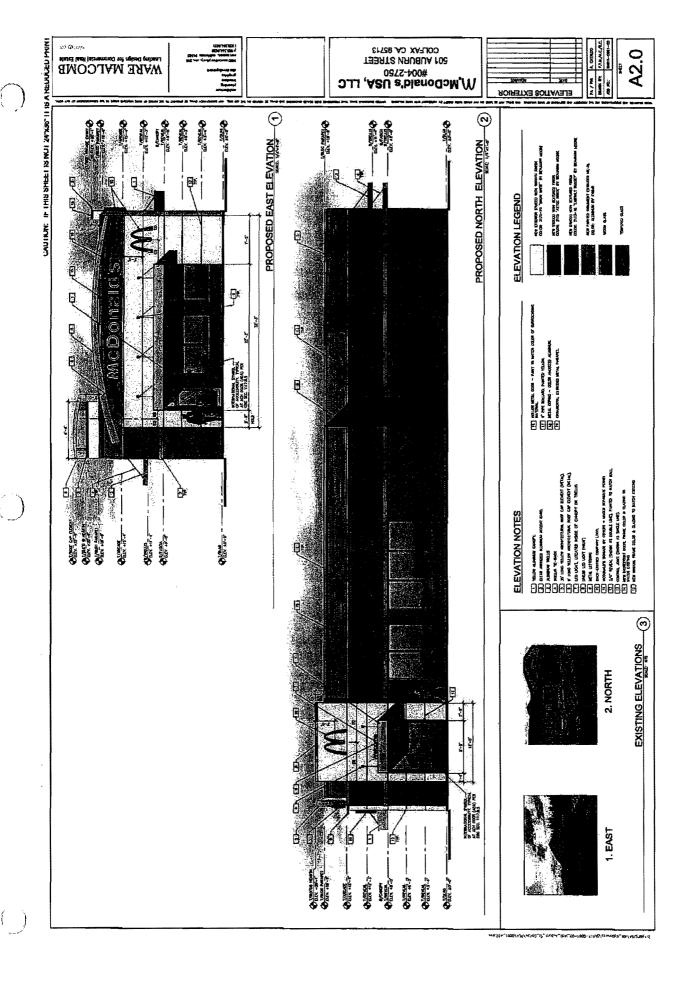
Staff recommends that the Commission make the following findings:

- 4. The Project, as conditioned, is consistent with the General Plan and applicable zoning requirements.
- 5. The Project is in harmony with the purpose of, and is similar in character with the uses allowed in, the Highway Commercial District (Title 17.80 of the Colfax Zoning Code).
- 6. The Project conforms to applicable development standards.
- 7. The Project, as conditioned, will not be detrimental to the public health, safety, or welfare.
- 8. The site is physically suitable for the Project.
- 9. The Project, as conditioned, will not cause substantial environmental damage or substantially and unavoidably injure fish and wildlife or their habitat.
- 10. The Project is consistent with the character of the immediate neighborhood.
- 11. The Project, as conditioned, will be accomplished without detriment to adjacent properties.

ALL PLANNING COMMISSION DECISIONS MAY BE APPEALED TO THE CITY COUNCIL WITHIN 10 DAYS. CONTACT CITY HALL FOR APPLICATION AND FILING FEE INFORMATION.

## Attachments:

- 1.
- Color Building Elevations/Vicinity Site Photos Site Plan, Floor Plan, Landscape Plan and Building Elevations Conditions of Approval Resolution 2.
- 3.
- 4.



architecture planning interiors graphics site development

### **VICINITY PHOTOS** McDonald's Remodel 501 Auburn Street, Colfax, CA 95713



Businesses south of site



Vacant lot north of site

#### waremalcomb.com

2400 camino ramon suite 390 san ramon. california 94583 p 925.244.9620

f 925.244.9621

architecture planning interiors graphics site development



Businesses east of site



Hillside west of site

architecture planning interiors graphics site development

## SITE PHOTOS McDonald's Remodel 501 Auburn Street, Colfax, CA 95713



North elevation



Landscaping and paving at existing Drive-thru lane

#### waremalcomb.com

2400 camino ramon suite 390 san ramon, california 94583 p 925.244.9620 1 925.244.9621

architecture planning interiors graphics site development



Existing landscaping and paving at Drive-thru lane



Parking at north side of site (looking east)



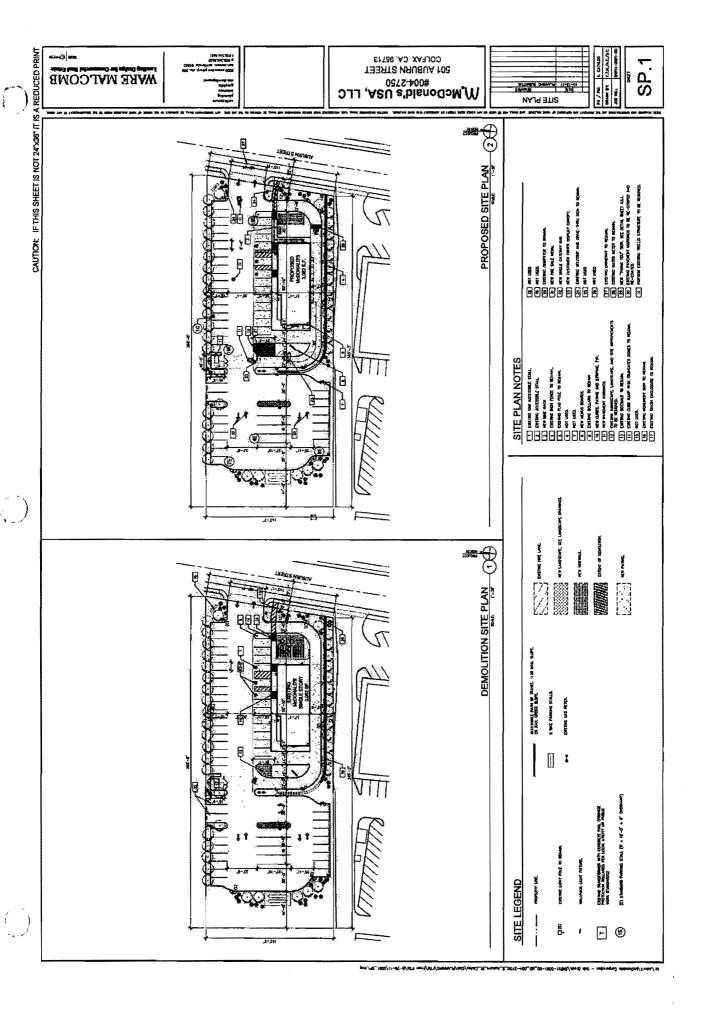
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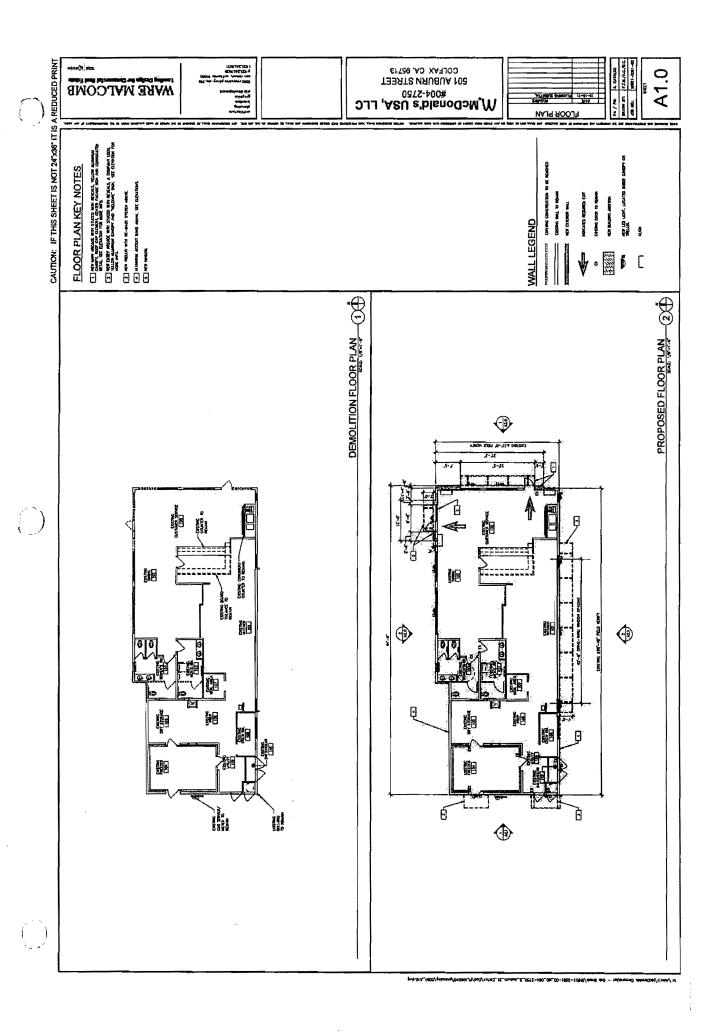
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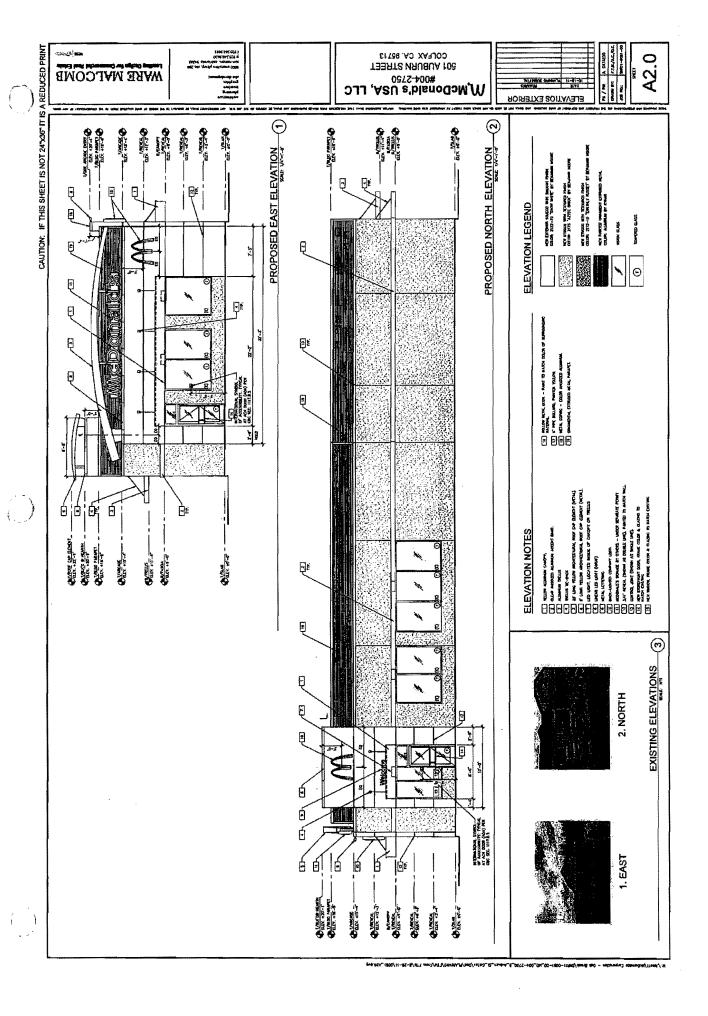
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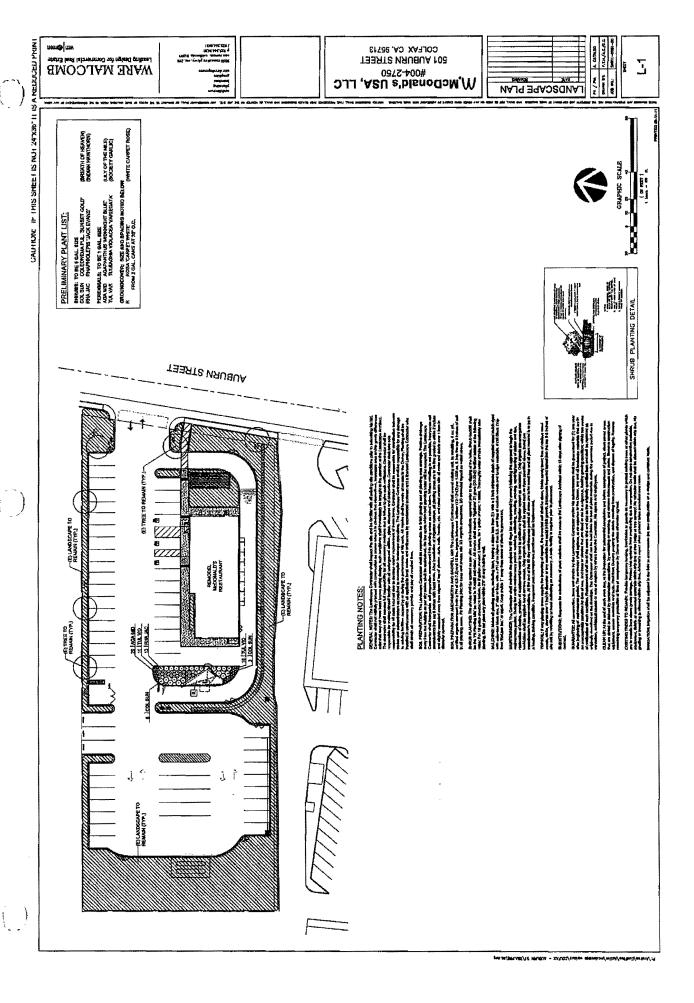
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#### CONDITIONS OF APPROVAL

#### #DR/SPR-02-11

- 1. The drive-thru shall be allowed to operate 24 hours a day.
- 2. Condition #7 of the original project Conditions of Approval which were approved on August 19, 1999, which requires that the interior light of the freestanding pole sign be turned off by 10:00 p.m., shall be modified to allow for the illumination of the freestanding pole sign 24 hours a day.
- 3. The applicant shall make the following site and landscape improvements, in a manner that is in substantial conformance with the plans submitted with this application:
  - a. Reduce the size of the existing trellis (by 50%) at the east elevation.
  - b. Lengthen the drive-thru island (approximately doubling the length) and install landscaping similar to the existing landscaping at the current island.
  - c. All existing paving and landscape to remain as is.
  - d. A bike rack is to be installed at the east elevation.
- 4. Per the City's Design Guidelines, trees and landscaping shall be maintained by the current owner and any and all subsequent owners of the subject property for a minimum period of three (3) years after installation. The applicant shall deposit with the City a maintenance bond, cash, letter of credit, or its equivalent, in an amount equal to one-half (1/2) the market value of landscaping and irrigation guaranteeing the proper care, treatment and maintenance of landscaping for a period of three (3) years. Prior to the expiration of the three (3) year maintenance guarantee period and return of the security, the property owner shall maintain, replace or restore all deficient landscaping.
- 5. Landscaping and irrigation shall be installed prior to the issuance of a Certificate of Occupancy by the Building Official.
- 6. The applicant shall make the following architectural improvements to the existing building exterior, in a manner that is in substantial conformance with the plans submitted with this application:
  - a. Demolition of existing mansard roofs, siding, stone wainscot, and aluminum storefronts.
  - b. Parapet walls to replace the mansard roofs, and exterior walls to be finished in integral color stucco in earth tones.
  - c. Accent walls, or 'arcades', to be provided at the west and south elevations to highlight the two entrances to the restaurant.
  - d. Arcades to be finished in stucco and feature aluminum reveals.

- e. Wall colors/materials to consist of Benjamin Moore #2122-70
  "Snow White" or equivalent (smooth finish stucco), #2175 "Aztec Brick" or equivalent (textured finish stucco) and #2173-10
  "Earthly Russet" or equivalent (textured finish stucco).
- f. Ornamental extruded parapet to be provided at all elevations (color: Aluminum by Kynar or equivalent).
- g. Clear anodized aluminum accent band to be provided at all elevations.
- h. Aluminum trellis to be provided at west and south elevations.
- i. Back-lighted company logo ("M") to be provided on east and north elevations.
- Yellow aluminum canopy to be provided at east and north elevations.
- k. Yellow, metal architectural roof caps to be provided at the east and west elevations.
- 1. New window, frame color and glazing to match existing.
- m. New storefront door, frame color and glazing to match existing.
- n. Hollow metal doors painted to match color of surrounding material to be provided at west and south elevations.
- o. LED light located inside of canopy or trellis to be provided at north and south elevations.
- p. Linear red light (HIRAF) to be provided at all elevations.
- q. Yellow bollard to be provided on west elevation.
- r. Metal lettering ("Welcome") to be provided at north elevation.
- s. Existing "McDonalds" sign on east elevation to remain as is.
- 7. A minimum of 54 parking stalls shall be provided, including 3 handicapped parking spaces which meet the Americans with Disabilities Act design standards.
- 8. The applicant shall comply with the following requirements issued by the Placer County Water Agency:

"Water is currently served to the property by an existing I-inch meter for domestic use connected to the Agency's treated water main extension from Whitcomb Avenue. The Water Connection Charges paid for the I-inch domestic service reserves an average peak daily demand of 2,875 gallons per day. Based on the Agency's billing records, the averaged peak daily usage recorded through this meter is approximately 4.5 times this amount. In order for the Agency to continue to provide excess water through this service the Applicant may be required to upsize their existing water service and must pay the applicable fees and Water Connection Charges for the commitment required to serve the existing needs of the property. The Applicant can contact the Customer Services Department at (530) 823-4850 for the required forms and fees."

- 9. Building exterior and site improvement construction hours shall be limited to Monday through Friday, 6:00 a.m. to 6:00 p.m., Saturday, Sundays and observed holidays, 8:00 a.m. to 5:00 p.m.
- 10. The applicant shall ensure that this project is constructed and completed in accordance with all local, state and federal regulations, including obtaining any other permits that may be required by other governing bodies for this project.
- 11. The City's Fee Schedule and terms are incorporated as part of this approval. Applicant is aware that City charges based on actual cost and that outstanding planning application fees, engineering, and building plan check fees must be paid in full within 30 days of receipt of invoices. If the deposit(s) with the City for this project become(s) depleted and there is still work to be done, additional deposits shall be paid prior to any additional work being performed by the City on the project.
- 12. Other fees and deposits will be required during the building permit phase for this project, but are not included above, nor are they a part of this application. The fees/deposits for these items will be those in effect at the building permit application or issuance whichever applicable.
- 13. No certificate of occupancy/final inspection shall be issued until all conditions of approval are completed and approved by the appropriate City Official, Department, District, or Agency.
- 14. Indemnification of the City/Attorney's fees for Enforcement.
  - a. The applicant/developer agrees as a condition of approval/entitlement to defend, indemnify, and hold harmless the City and its agents, officers, employees, consultants, and volunteers from any claim, action, lawsuit or proceeding arising out the City's processing of this application, related permits and approvals and any improvements approved by City. Applicant agrees that City shall have the right to appoint its own counsel to defend it and conduct its own defense in the manner it deems in its best interest, and that such actions shall not relieve or limit Applicant's obligations to indemnify and reimburse for actual defense costs.
  - b. In the event the City initiates proceedings against the applicant/developer regarding non-compliance with law or these conditions or any related approvals, the applicant shall reimburse the City for any and all court costs and attorney's fees as a result of any such action. Failure to reimburse the City within 30 days of receipt of invoices or establish a contractual payment schedule

may result in the City placing lien against the subdivision property
in accordance with the tax assessor's process and procedures or
other legal authority; and shall include costs of the lien process.

Approved and agreed to:	
	Applicant Initials

# City of Colfax

Resolution No. 03-2012

## A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF COLFAX APPROVING AN APPLICATION (#DR/SPR-02-11) FOR DESIGN REVIEW AND SITE PLAN REVIEW FOR THE MCDONALDS REMODEL PROJECT

Whereas, the City of Colfax received Planning Application #DR/SPR-02-11 for design review and site plan review for the McDonalds Remodel Project located at 501 South Auburn Street in the City of Colfax (the "Project); and

Whereas, the City of Colfax, through the Planning Department, prepared a Notice of Exemption from CEQA for the Project; and

Whereas, the City of Colfax Planning Commission ("Commission") held a duly-noticed public hearing on the Project's application on January 25, 2012; and

Whereas, the Commission has reviewed and considered the staff report, any and all written comments received during the public review process, and any and all oral or written comments submitted at the public hearing.

**NOW THEREFORE, BE IT RESOLVED** by the Planning Commission of the City of Colfax:

- 1. That the Commission finds that the Project qualifies for an exemption from CEQA and directs the City Clerk to file a Notice of Exemption with the Clerk of the County of Placer for the Project within five (5) days of the date of this hearing for the Project.
- 2. That Planning Application #DR/SPR-02-11 for design review and site plan review for the McDonalds Remodel Project located at 501 South Auburn Street in the City of Colfax is hereby approved subject to the following exhibits and findings:

EXHIBIT 1 - COLOR BUILDING ELEVATIONS

EXHIBIT 2 - SITE PLAN, FLOOR PLAN, BULIDING ELEVATIONS,

LANDSCAPE PLAN

EXHIBIT 3 - CONDITIONS OF APPROVAL

## FINDINGS:

1. The project, as conditioned, will maintain the small town character that makes Colfax a desirable place to live.

- 2. The project, as conditioned, will maintain and enhance the City's character and visual appearance in order to create a quality future community.
- 3. The project, as conditioned, will maintain and enhance the historic resources, qualities and character of the City of Colfax.
- 4. The Project, as conditioned, is consistent with the General Plan and applicable zoning requirements, including.
- 5. The Project is in harmony with the purpose of, and is similar in character with the uses allowed in, the Highway Commercial District (Title 17.80 of the Colfax Zoning Code).
- 6. The Project conforms to applicable development standards.
- 7. The Project, as conditioned, will not be detrimental to the public health, safety, or welfare.
- 8. The site is physically suitable for the Project.

City of Colfax

- 9. The Project, as conditioned, will not cause substantial environmental damage or substantially and unavoidably injure fish and wildlife or their habitat.
- 10. The Project is consistent with the character of the immediate neighborhood.
- 11. The Project, as conditioned, will be accomplished without detriment to adjacent properties.

Passed and Adopted this 25<sup>th</sup> day of January, 2012 by the following roll call vote:

Ayes: Noes:		
Absent: Abstain:		
Abstain:		
	Stephen Harvey, Mayor	
ATTEST:		
·		
Karen Pierce, City Clerk		

2

Resolution No. 03-2013



# REPORT TO COLFAX CITY COUNCIL

Agenda Item No.

93

# COUNCIL MEETING OF FEBRUARY 22, 2012

To: Honorable Mayor and Members of the City Council, Sitting as the Planning.

Commission

From: Brigit S. Barnes, Planning Director and Land Use Attorney

Date: February 15, 2012

Subject: Introduction and First Reading of Ordinance No. 516: An Ordinance Of The City

Of Colfax Adding Section 17.112.175 To Chapter 17.112 of Title 17 Of The Colfax Municipal Code Allowing Digital Billboard Signs on City-Owned

Property

Recommended Action: By motion introduce Ordinance by title only, waive reading and continue for second reading at a future city council meeting

**PROJECT LOCATION:** Citywide ordinance amendment, Colfax, Placer County, California

**PUBLIC NOTICE:** This meeting has been noticed in accordance with the requirements

of California Planning and Zoning Law, Title 7, Chapter 65000,

Government Code, as amended.

PROJECT DESCRIPTION: #PL-01-12/Sign Ordinance Amendment to Allow Digital Billboard Signs on City-Owned Property as defined in the Amendment. The project proposes to amend the Colfax Sign Ordinance (Colfax Municipal Code Title 17) to allow one or more digital billboard signs, each with two displays, to be constructed and operated on City-owned property along Interstate Highway 80 and State Route 174 within the Colfax corporate boundaries, provided such locations are approved by CalTrans. Approval of the Digital Billboard Sign Ordinance would not permit the immediate construction or operation of digital billboard signs. If approved, the City intends to allow the construction, maintenance and operation of digital billboard signs on City-owned property adjacent to freeways pursuant to a relocation agreement, or on such other terms that are acceptable to the City. The Digital Billboard Sign Ordinance requires that the total number of billboard signs in the City, whether digital or not, may not exceed the number of billboard signs existing in the City at the time the Digital Billboard Sign Ordinance is adopted, without further action of the City Council. The locations for the digital

billboard signs will be limited to areas with commercial or industrial zoning, away from residential or other sensitive land uses, and within 660 feet of freeway or highway right-of-way.

### ISSUE STATEMENT AND DISCUSSION:

This item is before you for consideration because Digital Billboard Signs have gained in popularity and profitability due to their ability to rotate over 11,000 advertising messages in a 24-hour period with a single sign compared to one message per static billboard (calculation based on 8 ads per minute). Staff has observed recent successes with implementation of Digital Billboard Sign programs in other communities, such as the City of Sacramento.

The purpose if this ordinance is to allow one or more digital billboard signs to be constructed and operated on City-owned commercial or industrial-zoned property along Interstate Highway 80 and State Route 174 within the city limits of Colfax. The City's Municipal Code currently appears to prohibit electronic/digital signs. Therefore, this ordinance is necessary if the City wants to allow Digital Billboard Signs. The proposed Digital Billboard Sign Ordinance requires that the total number of billboard signs in the City, whether digital or not, may not exceed the number of billboard signs existing in the City at the time the Digital Billboard Sign Ordinance is adopted, without further action of the City Council.

#### FINANCIAL AND POLICY IMPLICATIONS:

In partnership with outdoor advertising agencies, communities are securing long-term revenue sources by exchanging static billboards for digital equivalents. Lease Agreements executed between outdoor advertising agencies and the City could provide for signing bonuses and monthly rents for each Digital Billboard Sign, which would result in a reliable revenue stream for the City. Other benefits to the City could include some amount of negotiated advertising for local community events and businesses, after staff receives comments from the City Council.

#### **ENVIRONMENTAL ANALYSIS:**

In accordance with the California Environmental Quality Act, the City of Colfax conducted an Initial Study to determine whether the proposed project may have a significant adverse effect on the environment. On the basis of that study, the City found that the proposed project will not have a significant adverse effect on the environment, where such ordinances limit design and construction of such signs to compliance with the most recent Federal Highway Administration and Caltrans safety standards, and where the signs are designed and placed so that the light and messaging from such billboards is specifically directed toward motorists along state highways and thus does not contribute to light issues for nearby residents. Therefore, a proposed Negative Declaration was prepared. The Negative Declaration is currently being circulated for public review.

#### ORDINANCE 516

AN ORDINANCE OF THE CITY OF COLFAX ADDING SECTION 17.112.175 TO CHAPTER 17.112
OF TITLE 17 OF THE COLFAX MUNICIPAL CODE ALLOWING DIGITAL BILLBOARD SIGNS
ON CITY-OWNED PROPERTY

- 17.112.175 <u>Digital Billboard Signs on City-owned Property</u>. For purposes of this section, (1) a "digital billboard sign" means and refers to an advertising structure (as that term is defined in the California Outdoor Advertising Act Business & Professions Code, Division 3, Chapter 2) that uses digital-display technology; and (2) "City-owned property" means and refers to any property in which the City is the owner of the majority of the fee title interest, as well as property in which the City has a leasehold, easement, license or other possessory interest.
- A. Notwithstanding any provision of this Title to the contrary, the City, on such terms as the planning director may approve in his or her discretion, may: construct, repair, replace and maintain; cause the construction, repair, replacement and/or maintenance of; or issue a permit for the construction, repair, replacement and/or maintenance of, digital billboard signs within City-owned property and visible from Interstate Highway 80 and/or State Highway 174, subject to subsections A.1. through A.5, below. Such terms may include utilizing a relocation agreement, which would allow the removal of a display and construction of a new display to substitute for the display that is removed. A digital billboard sign may be electronic, programmable and/or illuminated and provide for "off-site" advertising (as that term is defined in this Chapter). The total number of billboard signs in the City, whether digital or not, may not exceed the number of billboard signs in the City at the time the Digital Billboard Sign Ordinance is adopted, without further action of the City Council.
- 1. The City-owned property must be located in a commercial or industrial zone as of the date a permit for a digital billboard sign is issued.
- 2. All digital-display faces must be oriented primarily for viewing from the freeway or highway to which it is adjacent.
- 3. Notwithstanding any provision to the contrary in this Title, the maximum height of a digital billboard sign, measured from grade to the top of the digital-display face, is 45 feet; and the overall maximum height, measured from grade to the top of the billboard structure, is 50 feet. The planning director may, upon a showing of good cause supported by substantial evidence in the record, grant a variance on the maximum height restriction.
- 4. Notwithstanding any provision to the contrary in this Title, a digital billboard sign may have either one or two display faces, and the maximum area of a display face is twelve hundred (1,200) square feet. The maximum height of the display face is 25 feet and maximum length of the display face is 60 feet.
- 5. A digital billboard sign may display only a still image in each of its display messages. This means that the still image being displayed may not move or present the appearance of motion and may not use flashing, blinking, or traveling lights or any other means not providing constant illumination (except that part necessary to give public service information such as time, date, temperature, weather, or similar information). The digital billboard sign must expose each message display for not less than four seconds, unless a greater amount of time is set forth as a recommendation in the most recent guidance document issued by the Federal Highway Administration on the subject of changeable electronic variable message signs; in such case, the minimum FHWA standard shall apply. The transition or blank screen time between one display

message and the next may not exceed one second, nor shall this transition time be construed as a failure to comply with the constant illumination requirement set forth above.

- B. Notwithstanding any provision of this Title to the contrary, an existing sign that is removed and/or relocated in the implementation or exercise of subsection A, above, may include either a legal conforming sign or a legal nonconforming sign; such status shall be determined by the planning director. Any sign approved for relocation must be removed prior to construction or installation of the digital billboard sign that will replace it.
- C. In addition to complying with the other requirements of this Section, a digital billboard sign must also comply with the requirements of the California Outdoor Advertising Act, Chapter 2 in Division 3 of the California Business and Professions Code ("Act"), including but not limited to, the restrictions on size, height, intermittent flashing lights, proximity to interstate and primary highways and landscaped freeways, and other regulations set forth in Articles 7 and 8 of the Act. To the extent a conflict arises between this section and the Act, the Act will prevail, except for the FHWA recommendation referenced in subsection A.5., above.
- D. Findings for Approval of a Digital Billboard Sign or Relocation Agreement. A digital billboard sign or relocation agreement may be approved if the planning director makes the following findings:
- 1. The digital billboard sign or relocation agreement substantially complies with the purpose and requirements of this section;
- 2. The digital billboard sign or relocation agreement will not interfere with onsite access or circulation or significantly interfere with visibility.



# REPORT TO COLFAX CITY COUNCIL

Agenda Item No. Q C.

# COUNCIL MEETING OF February 22, 2012

To: Honorable Mayor and Members of the City Council

From: David Nelson, CDBG Consultant

Date: February 15, 2012

Subject: Annual Public Hearing Notice for the Community Development Block Grant

program

Recommended Action: No action required.

### ISSUE STATEMENT AND DISCUSSION:

The State Community Development Block Grant (CDBG) Program is a state pass-through program which receives its funding from the Federal Department of Housing and Urban Development (HUD). Cities under 50,000 in population are eligible. The CDBG program is divided up into two basic sections: Community Development (Housing) and Economic Development.

The CDBG program announces the availability of grant funds through a published document called a Notice of Funding Availability (NOFA). CDBG releases one "Super" NOFA for most of the available grant funds in a given year. This year the Super NOFA was released on January 9, 2012. Applications are due April 6, 2012.

CDBG funds must benefit persons from a low income household, either directly or through community projects. The City may apply for up to \$2 million per grant cycle, with certain restrictions, which include, but are not limited to:

- A maximum of three activities allowed.
- Planning Grants or Set Asides are allowed, but not both. These are not rated.
- Planning Grants and Set Asides may only be funded if another "ratable" activity has been awarded. Exception for applying for only Planning Grants.
- Planning Grants may be difficult to secure, due to the award process
- A Housing and Economic "Combo" are offered, each one counting as one activity.
- If awarded in one fiscal year, the City may not apply again until 50% of the awarded funds have been expended.

#### The allocations are as follows:

- Community Development (housing-related):
  - o Housing Rehabilitation
  - o Homeownership Assistance
  - o Multi-Family Housing
  - o Public Improvements

- o Public Services
- Public Facilities
- Native American: This allocation is for non-federally recognized tribes or Rancherias and is typically for housing related activities.
- Colonias: This funding is for communities within 150 miles of the Mexican/American border and is typically for housing related activities.
- Economic Development: This allocation is divided into two basic allocations: Enterprise Fund and Over the Counter.
  - o The Enterprise fund is divided into Microenterprise and Business Assistance:
    - Microenterprise:
      - The microenterprise program may consist of:
        - o A lending program
        - A business development training program (various models are eligible)
        - o Façade improvements
        - o Supportive Services for training.
      - Eligibility factors include: The business owner (or persons wanting to be a business owner) must be low income, and existing businesses must have five or fewer employees. For the loan program, there is no job creation required.
    - Business Assistance: Any business may apply for these loan funds, but for every \$35,000 of loan funds, the business must create/retain one full time equivalent (FTE), which is defined as 1,750hrs/year. Additionally, 51% of these new/retained jobs must filled by persons from a low income household.
  - Over the Counter (OTC) allocation: The OTC is technically covered under a separate NOFA but is discussed here for completeness' sake. The OTC is similar to business lending (job creation/retention and 51% must be low income), but funds may be requested at any time of the year, and the maximum funding is \$3 million each year (with a two year project potential).
- Planning Grants (Economic Development & General): These funds are used to support and/or prepare CDBG eligible projects/programs.

### FINANCIAL AND/OR POLICY IMPLICATIONS:

There are no impacts.



# REPORT TO COLFAX CITY COUNCIL

Agenda Item No.

# COUNCIL MEETING OF February 22, 2012

To: Honorable Mayor and Members of the City Council

From: Bruce Kranz, City Manager

Date: February 16, 2012

Subject: Discuss and Provide direction as to Acquiring the Court House from the County

Recommended Action: Discuss and Provide Direction

## **ISSUE STATEMENT AND DISCUSSION:**

Placer County has determined that the Court house is surplus property and has offered to donate it to the City providing the city uses it for public use. Staff requests direction from the council about uses and how to fund upkeep and possible rehabilitation.

## **FINANCIAL AND/OR POLICY IMPLICATIONS:**

Unknown